

**CITY OF MARINE CITY**  
St. Clair County, Michigan  
**AUDITED FINANCIAL STATEMENTS**  
For The Year Ended June 30, 2004

74-2020

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <u>Marine City</u>		County <u>St. Clair</u>
Audit Date <u>6/30/04</u>	Opinion Date <u>9/22/04</u>	Date Accountant Report Submitted to State: <u>11/15/04</u>		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

## We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) <u>McBride, Manley &amp; Mueller PC</u>			
Street Address <u>PO Box 26</u>		City <u>Marine City</u>	State <u>MI</u>
Accountant Signature <u>John E. McBride CPA</u>		Zip <u>48039</u>	Date <u>11/15/04</u>

CITY OF MARINE CITY

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**CITY OF MARINE CITY**  
**Management's Discussion and Analysis**

**June 30, 2004**

**Using this Annual Report**

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide financial statements.

**The City as a Whole**

The City combined net assets increased 5.92% from a year ago from \$7,738,000 to \$8,196,000. As we look at the governmental activities separately from the business-type activities, we can see that the governmental activities experienced an increase, of approximately \$722,000 during the year (85.1% increase). This was the result of increases in Debt Service Fund Net Assets and Major & Local Street Net Assets. The business-type activities experienced a \$264,000 decrease in net assets, primarily as a result of depreciation of \$511,000. In a condensed format, the table below shows a comparison of the net assets (in thousands of dollars) as of the current date to the prior year:

	Governmental Activities		Business-Type Activities		Total	
	2003	2004	2003	2004	2003	2004
Current Assets	\$ 2,305	\$ 2,631	\$ 909	\$ 1,059	\$ 3,214	\$ 3,665
Noncurrent Assets	2,997	2,810	9,480	9,053	12,477	11,863
Total Assets	5,302	5,441	10,389	10,112	15,691	15,528
Long-Term Debt Outstanding	5,234	4,638	1,549	1,350	6,783	5,988
Other Liabilities	916	929	254	440	1,170	1,344
Total Liabilities	6,150	5,567	1,803	1,790	7,953	7,332
Net Assets						
Invested in Capital Assets - Net of Debt	(2,751)	(2,326)	7,931	7,654	5,180	5,328
Restricted	108	52	14	654	122	706
Unrestricted	1,795	2,148	641	14	2,436	2,162
Total Net Assets	\$ (848)	\$ (126)	\$ 8,586	\$ 8,322	\$ 7,738	\$ 8,196

Unrestricted net assets, the part of net assets that can be used to finance day to day operations, increased by \$353,000 for the governmental activities. This represents an increase of approximately 19.7%. The current level of unrestricted net assets for our governmental activities stands at \$2,148,000, or about 68.5% of expenditures. This is within the targeted range set by the City during its last budget process.

# CITY OF MARINE CITY

## Management's Discussion and Analysis

June 30, 2004

The following table shows the changes of the net assets (in thousands of dollars) as of the current date to the prior year:

	Governmental Activities	Business-Type Activities	Total
Program Revenues			
Charges for Services	\$ 796	\$ 1,426	\$ 2,222
Operating Grants and Contributions	426	--	426
Capital Grants and Contributions	--	--	--
General Revenues			
Property Taxes	2,025	--	2,025
State-Shared Revenues	540	--	540
Unrestricted Investment Earnings	46	6	52
Other	84	--	84
Total Revenues	3,917	1,432	5,349
Program Expenses			
Legislative	13	--	13
General Government	592	--	592
Public Safety	1,248	--	1,248
Highways and Streets	125	--	125
Public Works	691	--	691
Recreation and Cultural	174	--	174
Other	213	--	213
Debt Service	139	--	139
Water and Sewer	--	1,696	1,696
Total Expenses	3,195	1,696	4,891
Change in Net Assets	\$ 722	\$ (264)	\$ 458

Included in governmental activities revenues and business-type activities expenses is a transfer of approximately \$60,000 between these activities.

The City's net assets continue to remain healthy. Net assets grew by \$458,000. This was primarily because of increases in Net Assets of Governmental Activities.

### Governmental Activities

Since this is the first year that the City's financial data has been determined under GASB 34, comparisons to previous periods are not available. Comparisons will be provided in future years.

# CITY OF MARINE CITY

## Management's Discussion and Analysis

June 30, 2004

### **Business-Type Activities**

The City's business-type activities consist of the Water and Sewer Fund. We provide water and sewer treatment to all City residents. We experienced a decrease in our net operating loss. This was primarily due to an increase in user fees in the amount of approximately \$90,000 and an increase in contractual sewage treatment revenue.

### **The City's Funds**

Our analysis of the City's major funds begins on page 5, following the entity-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. The City creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The City's major funds include the General Fund, the Major & Local Street Funds, and the 1991 Unlimited Bond Series A Debt Fund.

The General Fund pays for most of the City's governmental services. The most significant are police and fire, which incurred expenses of approximately \$1,050,000. These two services are supported by general tax revenues of the City and State Revenue Sharing. In addition, the General Fund expended approximately \$665,000 on Public Works. These two areas represent approximately 61% of the General Fund's total expenditures.

### **General Fund Budgetary Highlights**

Over the course of the year, the City amended the budget to take into account events during the year. There were no significant changes during the year. The City's departments overall stayed within the budget, resulting in total expenditures \$225,952 below the budget. This allowed the General Fund's fund balance to increase from \$356,977 a year ago to \$471,784 at June 30, 2004.

### **Capital Asset and Debt Administration**

At the end of June 30, 2004, the City had \$11,863,324 invested in a broad range of capital assets, including buildings, police and fire equipment, and water and sewer lines. In addition, the City has invested significantly in streets. Streets constructed prior to July 1, 2003, are not reported on the City's financial statements.

### **Economic Factors and Next Year's Budgets and Rates**

The City's budget for the year ending June 30, 2005, calls for no change in property tax rates. Because of the impact of Proposal A, however, the City needs to continue to watch its budget very closely. The state-wide tax reform act limits growth in taxable value on any individual property to the lesser of inflation or 5%. Because some properties increase in value by less than inflation, the mathematical result of this is that the total taxable value for the City will grow less than by inflation, before considering new property additions.

Water usage rates have been increased by the rate of inflation for the year ending June 30, 2005.

# CITY OF MARINE CITY

## Management's Discussion and Analysis

June 30, 2004

The City of Marine City is concerned about State Revenue Sharing funds due to the State of Michigan's budget problems. In addition, the City's Fringe Benefit costs have dramatically increased due to an increase in the multiplier for Pension calculations. The City's contribution rate increased from 4.23% in Fiscal Year 7/1/03 - 6/30/04 to 10.88% in Fiscal Year 7/1/04 - 6/30/05, as calculated by the City's Actuary. Lastly, the City is now responsible to set aside funds for Retiree's Health Care Cost that resulted from a 312 Arbitration Award a few years ago. According to the City's Actuarial Study, the City needs to set aside 15.67% of the City's full-time active employees payroll for Fiscal Year 7/1/04 - 6/30/05.

### **Contacting the City Management**

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the treasurer's office.



**McBride, Manley  
& Miiller P.C.**

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

September 22, 2004

Honorable Mayor and City Commission  
City of Marine City  
300 Broadway  
Marine City, Michigan 48039

Honorable Members:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Marine City, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Marine City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the City has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion Analysis -for State and Local Governments*, as of June 30, 2004.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Marine City, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages i through iv are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Marine City's basic financial statements. The accompanying supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2004, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,



McBRIDE, MANLEY & MILLER P.C.  
Certified Public Accountants

## CITY OF MARINE CITY

## STATEMENT OF NET ASSETS

June 30, 2004

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	T.I.F.A. # 1	T.I.F.A. # 2	T.I.F.A. #3
ASSETS						
CURRENT ASSETS						
Cash - checking and on hand	\$ 2,330,421	\$ 585,191	\$ 2,915,612	\$ 209,258	\$ 302,611	\$ 696,955
- savings and cash equivalent investments	15,027	63,258	78,285	--	--	--
Accounts and assessments receivable	5,418	410,460	415,878	--	--	--
Taxes receivable (net of allowance of \$58,993)	58,995	--	58,995	--	--	--
Due from other units of government	131,516	--	131,516	9,744	--	12,116
Internal balances*	25,572	--	--	--	--	--
Accrued revenue	63,500	--	63,500	--	--	--
Other assets	1,007	--	1,007	--	--	--
Total Current Assets	2,631,456	1,058,909	3,664,793	219,002	302,611	709,071
OTHER ASSETS						
Capital assets, net of accumulated depreciation	2,809,771	9,053,553	11,863,324	--	--	--
Total Assets	\$ 5,441,227	\$ 10,112,462	\$ 15,528,117	\$ 219,002	\$ 302,611	\$ 709,071
LIABILITIES						
CURRENT LIABILITIES						
Accounts payable	\$ 139,973	\$ 91,648	\$ 231,621	\$ --	\$ --	\$ --
Due to agency fund	--	53,423	53,423	--	--	--
Internal balances*	--	25,572	--	--	--	--
Accrued wages and vacation pay	148,415	213,746	362,161	--	--	--
Accrued interest payable	28,297	5,718	34,015	11,037	--	--
Current portion of bonds	600,000	50,000	650,000	20,000	--	--
Due to other units and taxpayers	12,387	--	12,387	--	--	--
Total Current Liabilities	929,072	440,107	1,343,607	31,037	--	--
NONCURRENT LIABILITIES						
Accrued sick pay	101,803	--	101,803	--	--	--
Long-term obligations net of current portion	4,536,408	1,350,000	5,886,408	355,000	--	--
Total Liabilities	\$ 5,567,283	\$ 1,790,107	\$ 7,331,818	\$ 386,037	\$ --	\$ --
NET ASSETS						
Investment in capital assets, net of related debt	\$ (2,326,637)	\$ 7,653,553	\$ 5,326,916	\$ --	\$ 302,611	\$ --
Restricted	52,211	654,536	706,747	(167,035)	--	709,071
Unrestricted	2,148,370	14,266	2,162,636	--	--	--
Total Net Assets	\$ (126,056)	\$ 8,322,355	\$ 8,196,299	\$ (167,035)	\$ 302,611	\$ 709,071

\* amounts have been offset in total column

\* amounts have been offset in total column

See accompanying notes.

# CITY OF MARINE CITY

## STATEMENT OF ACTIVITIES

For the year ended June 30, 2004

	Program Revenues				Net (Expense) Revenue			
	Expenses	Charge for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-type Activities	Total	
Primary Government:								
Governmental Activities:								
Legislative	\$ 12,651	\$ --	\$ --	\$ --	\$ (12,651)	\$ --	\$ (12,651)	
General government	592,537	83,592	3,826	--	(505,119)	--	(505,119)	
Public safety	1,248,174	150,396	--	--	(1,097,778)	--	(1,097,778)	
Highways and streets	124,567	5,429	302,453	--	183,315	--	183,315	
Public works	691,178	197,666	--	--	(493,512)	--	(493,512)	
Recreation and cultural	173,743	27,297	--	--	(146,446)	--	(146,446)	
Other	213,369	32,475	--	--	(180,894)	--	(180,894)	
Debt service interest	139,509	298,911	120,000	--	279,402	--	279,402	
Total governmental activities	3,195,728	795,766	426,279	--	(1,973,683)	--	(1,973,683)	
Business-type Activities:								
Water and sewer	1,635,240	1,425,976	--	--	--	(209,264)	(209,264)	
Total business-type activities	1,635,240	1,425,976	--	--	--	(209,264)	(209,264)	
TOTAL PRIMARY GOVERNMENT	\$ 4,830,968	\$ 2,221,742	\$ 426,279	\$ --	\$ (1,973,683)	\$ (209,264)	\$ (2,182,947)	
Component Units:								
TIFA # 1	\$ 17,671	\$ --	\$ --	\$ --	\$ (17,671)	\$ --	\$ --	\$ --
TIFA #2	41,431	--	--	--	--	--	(41,431)	--
TIFA #3	91,430	--	--	--	--	--	--	(91,430)
TOTAL COMPONENT UNIT	\$ 150,532	\$ --	\$ --	\$ --	\$ (17,671)	\$ (41,431)	\$ (59,101)	\$ (91,430)
General Purpose Revenues:								
Property taxes								
State shared revenues					2,025,039	--	2,025,039	253,139
Loss on sale of fixed assets					540,132	--	540,132	--
Investment earnings					(1,064)	--	(1,064)	--
Other					45,512	6,803	52,115	--
Transfers					24,827	--	24,827	6,471
					60,925	(60,925)	--	--
					2,695,371	(54,322)	2,641,049	--
TOTAL GENERAL PURPOSE REVENUES AND TRANSFERS						54,225	97,322	253,139
CHANGE IN NET ASSETS								
NET ASSETS AT JULY 1, 2003						36,554	55,891	168,180
NET ASSETS AT JUNE 30, 2004						(203,589)	246,720	540,891
					\$ (167,035)	\$ 302,611	\$ 302,611	\$ 709,071

See accompanying notes.



McBride, Manley  
& Müller P.C.

## CITY OF MARINE CITY

BALANCE SHEET -  
GOVERNMENTAL FUNDS

June 30, 2004

	General	Major Street Fund	Local Street Fund	1991 Unlimited Bonds Series A Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>						
Cash - checking and on hand	\$ 577,983	\$ 515,143	\$ 335,730	\$ 6,908	\$ 894,605	\$ 2,330,369
- savings and cash equivalent investments	15,027	--	--	--	--	15,027
Accounts and assessments receivable	4,258	--	--	--	1,160	5,418
Due from other funds	114,965	--	18,116	20,818	23,721	177,620
Due from other units of government	74,181	43,593	13,742	--	--	131,516
Other assets	1,007	--	--	--	--	1,007
<b>TOTAL ASSETS</b>	<b>\$ 787,421</b>	<b>\$ 558,736</b>	<b>\$ 367,588</b>	<b>\$ 27,726</b>	<b>\$ 919,486</b>	<b>\$ 2,660,957</b>
<u>LIABILITIES</u>						
Accounts payable	\$ 129,990	\$ 4,887	\$ 1,103	\$ --	\$ 3,993	\$ 139,973
Due to other funds	--	22,630	1,378	--	10,000	34,008
Accrued wages	71,799	989	460	--	1,590	74,838
Due to other units and taxpayers	12,387	--	--	--	--	12,387
Deferred revenue	101,461	--	--	10,958	8,436	120,855
<b>TOTAL LIABILITIES</b>	<b>315,637</b>	<b>28,506</b>	<b>2,941</b>	<b>10,958</b>	<b>24,019</b>	<b>382,061</b>
<u>FUND EQUITY</u>						
Reserved	--	--	--	16,768	35,443	52,211
Unreserved, undesignated	471,784	530,230	364,647	--	860,024	2,226,685
<b>TOTAL FUND EQUITY</b>	<b>471,784</b>	<b>530,230</b>	<b>364,647</b>	<b>16,768</b>	<b>895,467</b>	<b>2,278,896</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 787,421</b>	<b>\$ 558,736</b>	<b>\$ 367,588</b>	<b>\$ 27,726</b>	<b>\$ 919,486</b>	<b>\$ 2,660,957</b>

See accompanying notes.



CITY OF MARINE CITY

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
WITH THE STATEMENT OF NET ASSETS

June 30, 2004

Total Fund Balance - Governmental Funds		\$	2,278,896
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.			
Cost of capital assets		\$	6,374,936
Less: accumulated depreciation			(3,565,165)
Net Capital Assets			2,809,771
Delinquent personal property taxes receivable and accrued fire revenues receivable were not available soon enough after year end to pay the current period expenditures, and therefore are deferred in the governmental funds.			
			125,362
Long-term liabilities, including loans payable, are not due in the current period and therefore are not reported as liabilities in the governmental funds.			
Loans payable		\$	5,136,408
Accrued interest on loans			28,297
Compensated absences			175,380
Total Long-Term Liabilities			(5,340,085)
Total Net Assets - Governmental Activities		\$	(126,056)

See accompanying notes.



CITY OF MARINE CITY

STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

For the year ended June 30, 2004

	General	Major Street Fund	Local Street Fund	1991 Unlimited Bonds Series A Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
Tax collections	\$ 1,756,925	\$ --	\$ --	\$ 114,227	\$ 134,220	\$ 2,005,372
Distributions from State of Michigan	540,132	229,013	80,858	--	--	850,003
Licenses, permits, fines, and fees	54,504	--	--	175,726	--	230,230
Fire protection fees	127,000	--	--	--	--	127,000
Foundations, sales and services, and contributions	--	--	--	--	32,475	32,475
Recreation	27,297	--	--	--	--	27,297
Grant proceeds	3,826	--	--	--	--	3,826
Zoning and site plan fees	1,150	--	--	--	--	1,150
Interest and penalties earned	25,792	5,019	3,319	2,055	9,327	45,512
Reimbursements from other funds and local units	--	--	--	113,918	9,267	123,185
Refuse and miscellaneous revenue	275,972	3,623	1,806	--	--	281,401
Intergovernmental	54,078	--	--	--	--	54,078
<b>TOTAL REVENUES</b>	<b>2,866,676</b>	<b>237,655</b>	<b>85,983</b>	<b>405,926</b>	<b>185,289</b>	<b>3,781,529</b>
<b>Other Financing Sources:</b>						
Transfers from other funds	10,000	--	52,910	120,000	191,982	374,892
<b>TOTAL REVENUES AND OTHER FINANCING SOURCES</b>	<b>2,876,676</b>	<b>237,655</b>	<b>138,893</b>	<b>525,926</b>	<b>377,271</b>	<b>4,156,421</b>
<b>Expenditures:</b>						
Legislative	12,651	--	--	--	--	12,651
General government	546,444	2,600	2,600	222	60,166	612,032
Public safety	1,124,068	--	--	--	--	1,124,068
Public works	664,660	--	--	--	--	664,660
Recreation and cultural	161,621	--	--	--	--	161,621
Highways and streets	--	72,990	62,162	--	--	135,152
Other	170,467	--	--	--	31,990	202,457
Debt service - principal	--	--	--	435,000	155,000	590,000
- interest	12,318	--	--	95,000	36,453	143,771
<b>TOTAL EXPENDITURES</b>	<b>2,692,229</b>	<b>75,590</b>	<b>64,762</b>	<b>530,222</b>	<b>283,609</b>	<b>3,646,412</b>
<b>Other Financing Uses:</b>						
Transfers to other funds	131,057	52,910	--	--	10,000	193,967
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	<b>2,823,286</b>	<b>128,500</b>	<b>64,762</b>	<b>530,222</b>	<b>293,609</b>	<b>3,840,379</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER USES</b>	<b>53,390</b>	<b>109,155</b>	<b>74,131</b>	<b>(4,296)</b>	<b>83,662</b>	<b>316,042</b>
<b>Net Effect of Change in Accounting Principle</b>	<b>61,417</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>61,417</b>
<b>Fund Balance at July 1, 2003</b>	<b>356,977</b>	<b>421,075</b>	<b>290,516</b>	<b>21,064</b>	<b>811,805</b>	<b>1,901,437</b>
<b>FUND BALANCE AT JUNE 30, 2004</b>	<b>\$ 471,784</b>	<b>\$ 530,230</b>	<b>\$ 364,647</b>	<b>\$ 16,768</b>	<b>\$ 895,467</b>	<b>\$ 2,278,896</b>

See accompanying notes.



# CITY OF MARINE CITY

## RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES WITH THE STATEMENT OF ACTIVITIES

June 30, 2004

Total Net Change in Fund Balances - Governmental Funds		\$ 377,459
<p>Capital outlays to purchase or build capital assets are reported in the governmental funds as expenditures. However, for government activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of net activities. Proceeds from the sale of capital assets are reported as revenue in the governmental funds. For government activities, these proceeds are reduced by the net book value of disposed assets to provide the gain or loss on sale of such assets in the statement of net activities.</p>		
Capital outlay	\$ 110,987	
Less: depreciation	(292,047)	
Restated gain on disposition of assets	<u>(5,922)</u>	
		(186,982)
<p>Delinquent personal property taxes receivable and fire contract revenue were not available soon enough after year end to pay the current period expenditures, and therefore are deferred in the governmental funds</p>		
		14,962
<p>Repayment of loan principal is an expenditure, and loan proceeds are revenue in the governmental funds. Proceeds increase and repayments decrease liabilities in the statement of net assets and do not affect the statement of activities.</p>		
Loan principal payments		611,702
<p>Compensated absences are measured by the amount earned in the statement of activities. In the governmental funds, these items are measured by financial resources used.</p>		
		(99,716)
<p>Interest expenditures are recorded when financial resources are used in the governmental funds. Interest expense is recognized as the interest accrues regardless of when it is due in the statement of activities.</p>		
		4,263
Change in Net Assets of Governmental Activities		<u>\$ 721,688</u>

See accompanying notes.



CITY OF MARINE CITY  
STATEMENT OF NET ASSETS -  
PROPRIETARY FUNDS

June 30, 2004

Water Supply and  
Sewage Disp. System

ASSETS

CURRENT ASSETS

Cash - checking and on hand	\$ 585,191
- savings and cash equivalent investments	63,258
Accounts and assessments receivable	410,460
Total Current Assets	<u>1,058,909</u>

OTHER ASSETS

Capital assets, net of accumulated depreciation	9,053,553
Total Assets	<u>\$ 10,112,462</u>

LIABILITIES

CURRENT LIABILITIES

Accounts payable	\$ 91,648
Due to other funds	78,995
Accrued wages and vacation pay	213,746
Accrued interest	5,718
Current portion of long-term debt	50,000
Total Current Liabilities	<u>440,107</u>

LONG-TERM OBLIGATIONS NET OF CURRENT PORTION

Total Liabilities	1,350,000
	<u>\$ 1,790,107</u>

NET ASSETS

Investment in capital assets, net of related debt	\$ 7,653,553
Unrestricted	654,536
Restricted	14,266
Total Net Assets	<u>\$ 8,322,355</u>

See accompanying notes.



**CITY OF MARINE CITY**

**STATEMENT OF REVENUES, EXPENSES, AND  
CHANGE IN NET ASSETS - PROPRIETARY FUNDS**

For the year ended June 30, 2004

	Water Supply and Sewage Disp. System
Operating Revenues:	
Metered sales	\$ 1,180,060
Sewage treatment contract	94,547
Hydrant rental and city usage	24,000
Water taps and meter sales	9,485
Sewer taps	7,300
Miscellaneous	11,169
Total Operating Revenues	<u>1,326,561</u>
Operating Expenses:	
Water	698,269
Sewer	886,947
Total Operating Expenses	<u>1,585,216</u>
NET LOSS FROM OPERATIONS	<u>(258,655)</u>
Nonoperating Revenue (Expense):	
Debt service revenue	99,415
Interest revenue	6,603
Interest expense and agent fees	(50,024)
Transfers to other funds	(60,925)
Total Nonoperating Revenue (Expenses)	<u>(4,931)</u>
CHANGE IN NET ASSETS	(263,586)
Net Assets at July 1, 2003	<u>8,585,941</u>
Net Assets at June 30, 2004	\$ <u><u>8,322,355</u></u>

See accompanying notes.



**CITY OF MARINE CITY**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS**

For the year ended June 30, 2004

	Water and Sewage Disposal System
Cash Flows From Operating Activities:	
Receipts from customers	\$ 1,202,455
Payments to suppliers	(422,404)
Payments to employees	(581,791)
Receipts from interfund services provided	24,000
Other receipts (payments)	11,169
Net Cash Provided By Operating Activities	<u>233,429</u>
Cash Flows From Noncapital Financing Activities:	
Due to other funds	20,857
Transfer to other funds	(60,925)
Net Cash Used In Noncapital Financing Activities	<u>(40,068)</u>
Cash Flows From Capital and Related Financing Activities:	
Acquisition of capital assets	(84,243)
Principal paid on revenue bonds	(60,000)
Interest and paying agent fees paid on revenue bonds	(51,820)
Debt service charges	99,415
Net Cash Used In Capital and Related Financing Activities	<u>(96,648)</u>
Cash Flows From Investing Activities:	
Interest on investments	6,603
Net Cash Provided By Investing Activities	<u>6,603</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	103,316
Cash and Cash Equivalents at July 1, 2003	545,133
CASH AND CASH EQUIVALENTS AT JUNE 30, 2004	<u>\$ 648,449</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating loss	\$ (258,655)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	510,775
Change in assets and liabilities:	
Accounts receivable	(88,937)
Accounts payable	63,425
Accrued wages and vacation	6,821
Net Cash Provided By Operating Activities	<u>\$ 233,429</u>

See accompanying notes.



# CITY OF MARINE CITY

## STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2004

	Pension Fund	Tax Collection Fund	Special Assessment Trust	Police Trust & Agency Fund
<b>ASSETS</b>				
Cash and cash equivalents	\$ --	\$ 11,812	\$ --	\$ 205
Investments - at fair value	5,286,560	--	--	--
Personal property taxes receivable	--	386,709	--	--
Special assessment receivable	--	--	32,993	--
Due from other funds	--	--	53,423	--
Total Assets	\$ <u>5,286,560</u>	\$ <u>398,521</u>	\$ <u>86,416</u>	\$ <u>205</u>
<b>LIABILITIES</b>				
Accrued interest	\$ --	\$ --	\$ 1,416	\$ --
Current portion of debt	--	--	4,000	--
Due to other governmental units	--	280,481	--	205
Due to other funds	--	118,040	--	--
Long-term debt	--	--	81,000	--
Total Liabilities	\$ <u>--</u>	\$ <u>398,521</u>	\$ <u>86,416</u>	\$ <u>205</u>
<b>NET ASSETS</b>				
Held in Trust for Pension Benefits	\$ <u>5,286,560</u>			

See accompanying notes.



CITY OF MARINE CITY  
PENSION TRUST FUND  
STATEMENT OF CHANGES IN PLAN NET ASSETS

For the year ended June 30, 2004

ADDITIONS

Contributions:	
Employer	\$ 58,921
Employee	70,922
Total Contributions	<u>129,843</u>
Investment Income:	
Net appreciation in fair value of investments	372,933
Interest, dividends, and realized gains	206,244
Total Investment Gain	<u>579,177</u>
TOTAL ADDITIONS	<u>709,020</u>

DEDUCTIONS

Benefits	215,530
Refunds of contributions	112,715
Administrative expenses	41,650
TOTAL DEDUCTIONS	<u>369,895</u>
NET CHANGE	<u>339,125</u>
Fund Balance - Net Assets Held In Trust For Pension Benefits At July 1, 2003	<u>4,947,435</u>
FUND BALANCE - NET ASSETS HELD IN TRUST FOR PENSION BENEFITS AT JUNE 30, 2004	<u>\$ 5,286,560</u>

See accompanying notes.



**CITY OF MARINE CITY**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGE IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended June 30, 2004

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	Favorable (Unfavorable) Final to Actual
<b>Revenues:</b>				
Tax collections	\$ 1,787,250	\$ 1,786,075	\$ 1,756,925	\$ (29,150)
Distributions from State of Michigan	559,275	554,500	540,132	(14,368)
Licenses, permits, fines, and fees	51,000	52,500	54,504	2,004
Fire protection fees	123,000	127,000	127,000	--
Recreation	37,500	42,300	27,297	(15,003)
Grant proceeds	83,941	3,826	3,826	--
Zoning and site plan fees	1,000	1,200	1,150	(50)
Interest and penalties earned	24,100	26,200	25,792	(408)
Funding for capital lease	61,000	77,215	--	(77,215)
Refuse and miscellaneous	267,575	282,450	275,972	(6,478)
Intergovernmental - equipment revenue	35,000	72,000	54,078	(17,922)
<b>TOTAL REVENUES</b>	<b>3,030,641</b>	<b>3,025,266</b>	<b>2,866,676</b>	<b>(158,590)</b>
<b>Other Financing Sources:</b>				
Transfers from other funds	54,533	10,000	10,000	--
<b>TOTAL REVENUES AND OTHER FINANCING SOURCES</b>	<b>3,085,174</b>	<b>3,035,266</b>	<b>2,876,676</b>	<b>(158,590)</b>
<b>Expenditures:</b>				
Legislative	13,570	13,010	12,651	359
General government	553,505	569,425	546,444	22,981
Public safety	1,225,835	1,185,777	1,124,068	61,709
Public works	742,030	767,685	664,660	103,025
Recreation and cultural	135,775	178,666	161,621	17,045
Other	294,114	190,723	170,467	20,256
Debt service - interest	--	12,895	12,318	577
<b>TOTAL EXPENDITURES</b>	<b>2,964,829</b>	<b>2,918,181</b>	<b>2,692,229</b>	<b>225,952</b>
<b>Other Financing Uses:</b>				
Transfers to other funds	120,160	131,057	131,057	--
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	<b>3,084,989</b>	<b>3,049,238</b>	<b>2,823,286</b>	<b>225,952</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>185</b>	<b>(13,972)</b>	<b>53,390</b>	<b>67,362</b>
<b>Net Effect of Change in Accounting Principle</b>	<b>--</b>	<b>--</b>	<b>61,417</b>	<b>61,417</b>
<b>Fund Balance at July 1, 2003</b>	<b>356,977</b>	<b>356,977</b>	<b>356,977</b>	<b>--</b>
<b>FUND BALANCE AT JUNE 30, 2004</b>	<b>\$ 357,162</b>	<b>\$ 343,005</b>	<b>\$ 471,784</b>	<b>\$ 128,779</b>

See accompanying notes.



## CITY OF MARINE CITY

## MAJOR STREET FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -  
BUDGET (GAAP BASIS) AND ACTUAL

For the year ended June 30, 2004

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable) Final to Actual
	Original	Final		
Revenues:				
Distributions from State Motor Vehicle Highway Fund	\$ 199,800	\$ 207,800	\$ 229,013	\$ 21,213
Miscellaneous	--	3,650	3,623	(27)
Interest earned	4,300	4,300	5,019	719
Total Revenues	<u>204,100</u>	<u>215,750</u>	<u>237,655</u>	<u>21,905</u>
Expenditures:				
General administration	2,600	2,600	2,600	--
Drain storm sewers	5,535	7,425	5,349	2,076
Routine maintenance	44,410	62,850	43,892	18,958
Bridge maintenance	9,080	9,080	1,197	7,883
Street sweeping	8,350	8,350	3,973	4,377
Ice and snow control	32,970	32,970	12,840	20,130
Traffic surface	3,850	3,850	1,960	1,890
Surface maintenance M-29	1,575	1,575	149	1,426
Roadside maintenance M-29	2,375	2,375	--	2,375
Traffic signs M-29	1,500	1,500	1,242	258
General maintenance M-29	3,800	3,800	1,712	2,088
Ice and snow control M-29	1,285	1,285	676	609
Total Expenditures	<u>117,330</u>	<u>137,660</u>	<u>75,590</u>	<u>62,070</u>
Other Financing Uses:				
Transfer to Local Street Fund	46,750	52,910	52,910	--
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>164,080</u>	<u>190,570</u>	<u>128,500</u>	<u>62,070</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER USES	40,020	25,180	109,155	83,975
Fund Balance at July 1, 2003	421,075	421,075	421,075	--
FUND BALANCE AT JUNE 30, 2004	<u>\$ 461,095</u>	<u>\$ 446,255</u>	<u>\$ 530,230</u>	<u>\$ 83,975</u>

See accompanying notes.



**CITY OF MARINE CITY**

**LOCAL STREET FUND**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -  
BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended June 30, 2004

	Budgeted Amounts			Variance Favorable (Unfavorable) Final to Actual
	Original	Final	Actual	
Revenues:				
Distributions from State Motor Vehicle Highway Fund	\$ 71,000	\$ 80,000	\$ 80,858	\$ 858
Miscellaneous	--	1,800	1,806	6
Interest earned	2,650	2,650	3,319	669
Total Revenues	<u>73,650</u>	<u>84,450</u>	<u>85,983</u>	<u>1,533</u>
Other Financing Sources:				
Transfer from Major Street Fund	46,750	48,750	52,910	4,160
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>120,400</u>	<u>133,200</u>	<u>138,893</u>	<u>5,693</u>
Expenditures:				
General administrative	2,600	2,600	2,600	--
Drain storm sewers	7,325	7,625	6,402	1,223
Routine maintenance	48,150	63,150	34,909	28,241
Street sweeping	9,575	9,575	9,226	349
Ice and snow control	22,725	22,725	9,522	13,203
Traffic service	2,695	2,920	2,103	817
Total Expenditures	<u>93,070</u>	<u>108,595</u>	<u>64,762</u>	<u>43,833</u>
EXCESS OF REVENUES OVER EXPENDITURES	27,330	24,605	74,131	49,526
Fund Balance at July 1, 2003	290,516	290,516	290,516	--
FUND BALANCE AT JUNE 30, 2004	<u>\$ 317,846</u>	<u>\$ 315,121</u>	<u>\$ 364,647</u>	<u>\$ 49,526</u>

See accompanying notes.



# CITY OF MARINE CITY

## NOTES TO FINANCIAL STATEMENTS

June 30, 2004

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**DESCRIPTION OF CITY OPERATIONS AND FUND TYPES:** The City of Marine City covers an area of four square miles. The City operates under an elected Mayor and Board of six commissioners and provides services to its residents (approximately 4,500) in many areas including law enforcement, fire protection, and sanitation.

**REPORTING ENTITY:** The financial reporting entity consists of the primary government of the City of Marine City and its discretely presented component units. GASB Statement No. 14, as amended by GASB 39, states that the financial reporting entity consists of (a) the primary government; (b) organizations for which the primary government is financially accountable; and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria for determining the financial reporting entity are separately elected governing body, legally separate entity, fiscally independent, ability to appoint voting majority of governing body, ability to impose its will, and potential for benefit or burden. Certain other organizations warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the primary government, including their ongoing financial support of the primary government or its other component units. A legally separate, tax-exempt organization would be reported as a component unit of reporting entity if all of the following criteria are met:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.
2. The primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
3. The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

Using this criteria, the following have been determined to be discretely presented component units of the City of Marine City:

T.I.F.A. #1  
T.I.F.A. #2

T.I.F.A. #3

During the year ended June 30, 2004, T.I.F.A. #2 contributed \$35,000 and T.I.F.A. #3 contributed \$85,000 to Debt Service in fulfillment of bond obligations.

All of the component units were established to prevent urban deterioration and encourage economic development and activity as well as to encourage neighborhood revitalization and historic preservation.



# CITY OF MARINE CITY

## NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2004

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The financial statements of the City do not include the Building Authority. This entity is inactive and has no assets, liabilities, or fund balance. The City retains its existence for possible future use. Educational services are provided to citizens through local school districts which are separate governmental entities.

### GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION:** The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.



**CITY OF MARINE CITY**

**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

June 30, 2004

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Property taxes and other revenues are recognized in the accounting period when they become measurable and available to finance operations. Properties are assessed as of December 31, and the related property taxes are levied on July 1, and become a lien on the following July 1. These taxes are due on August 31, with a final collection date of February 28, before they are added to the county tax rolls.

Revenues earned and susceptible to accrual are considered available and recognized if received within sixty days after the year end.

The government reports the following major governmental funds:

**GENERAL FUND** - This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, protective services, and other intergovernmental revenues.

**MAJOR AND LOCAL STREET FUNDS** - The Major Street Fund accounts for all financial resources of state gas and weight tax revenues that are restricted for use on major streets. The Local Street Fund accounts for all financial resources of state gas and weight tax revenues that are restricted for use on local streets.

**1991 UNLIMITED BONDS SERIES A FUND** - The 1991 Unlimited Bonds Series A Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. This fund is not legally required to adopt a budget, and a budgetary comparison statement has not been presented for the Fund.

The government reports the following major proprietary funds:

**ENTERPRISE FUNDS** - The Water Supply and Sewage Disposal System Fund reports operations that provide services which are financed by user charges or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control, or other purposes.

Additionally, the government reports the following fund type:

**PENSION FUND** - This fund is an agent for retirement contributions for the City employees.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned. Residual balances between the business-type activities and the governmental activities are reported as "internal balances."



**CITY OF MARINE CITY**

**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

June 30, 2004

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. The water and sewer fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private sector standards issued after November 30, 1989, for its business-type activities.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

**ASSETS, LIABILITIES, AND NET ASSETS**

**BANK DEPOSITS AND INVESTMENTS:** Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**RECEIVABLES AND PAYABLES:** In general, outstanding balances between funds are reported as "due to/from other funds." All trade and property tax receivables are shown net of allowance for uncollectible amounts, totaling \$58,993.

**INVENTORIES AND PREPAID ITEMS:** Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.



CITY OF MARINE CITY

NOTES TO FINANCIAL STATEMENTS  
(Continued)

June 30, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**CAPITAL ASSETS:** Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Infrastructure assets acquired prior to July 1, 2003, have not been capitalized and are omitted from the Statement of Net Assets.

Assets are depreciated using the straight-line method over the following useful lives:

Office Equipment	3-15 years
Buildings and Additions	15-60 years
Water and Sewer System	20-40 years
Roads and Sidewalks	20 years
Machinery and Equipment	5-10 years
Water and Sewer Plant and Equipment	20 years

**CAPITALIZED INTEREST:** The City capitalizes interest during the construction phase of proprietary fund assets if financed by revenue bonds. Interest is not capitalized for assets constructed with general obligation debt. There was no interest capitalized for the period.

**COMPENSATED ABSENCES:** The City accrues the liability for future vacation, sick, and other leave benefits that are attributable to employee services already rendered if this obligation relates to vested obligations, the payment of which is probable and can be reasonably estimated. It is the policy of the City to show unpaid vacation benefits as current, as they are payable within one year.

All vacation and vested sick pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**LONG-TERM OBLIGATIONS:** In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.



CITY OF MARINE CITY

NOTES TO FINANCIAL STATEMENTS  
(Continued)

June 30, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent Property Taxes	\$117,989	\$ --
Special Assessments	2,866	--
	<u>\$120,855</u>	<u>\$ --</u>

**FUND EQUITY:** In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

It is the policy of the City to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

**EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS:** P.A. 621 of 1978, section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the City's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets, as amended, of the City for these budgetary funds were adopted to the departmental level and are shown in the supplemental schedules to this statement. Budget amendments require approval from a majority of the City Council. There were no amounts expended in excess of appropriations.

Michigan statute requires that debt fund cash and investments be separate from those of other funds. The City maintains separate accounting records and separate accounts for investment earnings for these funds. The City was in violation of this statute by pooling these funds with dissimilar funds for investment purposes. These accounts have subsequently been segregated in compliance with this statute.



CITY OF MARINE CITY

NOTES TO FINANCIAL STATEMENTS  
(Continued)

June 30, 2004

NOTE 3: CASH AND INVESTMENTS

Deposits are carried at cost. Deposits are at Michigan banks in the name of the City of Marine City Treasurer. Michigan Act 20 P.A. 1943 allows a city to make various investments with public monies including, but not limited to, the following:

1. Direct bonds and obligations of the U.S., its agencies or instrumentalities
2. Certificates of deposit, savings accounts with banks, savings and loan associations, or credit unions which are insured with the applicable federal agency and located in the State of Michigan
3. Commercial paper - rated within 2 highest rate classifications by at least 2 rating services and matures not later than 270 days
4. U.S. or agency repurchase agreements
5. Mutual funds - investments which local unit can make directly
6. Bankers' acceptances of U.S. banks
7. Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service

Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. Attorney General's Opinion Number 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

The above investment restrictions do not apply to the City's Pension Fund.

The deposits of the City are in accordance with statutory authority.

Deposits and investments are recorded at cost. The carrying amounts are included on the balance sheet as "Cash and Investments."

The GASB Statement No. 3 risk disclosures for the City's cash deposits are as follows:

Deposits are reflected on the individual fund balance sheet as follows:

Total government funds	\$2,330,369
Total proprietary funds	648,449
Total fiduciary funds	12,017
Total component units	1,208,824
Less cash on hand	( 150 )
Total Deposits	<u>\$4,199,509</u>

The above amounts represent bank balances at June 30, of \$4,202,359 of which \$480,416 is insured by the FDIC. The remainder is uninsured and uncollateralized.



# CITY OF MARINE CITY

## NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2004

### NOTE 3: CASH AND INVESTMENTS (Continued)

<u>Investments - Nonrisk Categorized</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Mutual funds - Pension Fund	\$5,286,560	\$5,286,560
- Other funds	15,027	15,027
Total Investments	<u>\$5,301,587</u>	<u>\$5,301,587</u>

There was no significant variation of investments or amounts invested throughout the fiscal year.

Other fund mutual fund investments are limited to those under SEC Rule 2a7 or like investment pools. In accordance with GASB Statement No. 31, these are carried at amortized cost for financial reporting purposes.

### NOTE 4: RESTRICTED ASSETS AND INVESTMENTS

#### Water and Sewer Fund - Restricted Assets:

Per Bond Ordinance 48, as amended by 48A and 57 - cash restricted to pay for asset replacement	\$ 5,000
Per City's designation - cash restricted for sewer construction	9,266
	<u>\$14,266</u>

#### Pension Fund:

Michigan state statute authorizes a political subdivision to make various investments with assets of public employee retirement systems including, but not limited to, the following:

1. The general account of a life insurer authorized to do business in this state, but the total of the assets invested shall not exceed 50% of the capital and surplus of the insurer.
2. Obligations of the United States or its agencies.
3. Banker's acceptances, commercial accounts, certificates of deposit or depository receipts issued by a bank, trust company, savings and loan association, or a credit union.
4. Commercial paper rated within 3 highest rate classifications by at least 2 rating services and matures not later than 270 days.

The City of Marine City Pension Trust deposits and investments are in accordance with statutory authority.

The Pension Fund investments are as follows:

<u>Investment</u>	<u>Interest Rate</u>	<u>Amount</u>
Paine Webber Cash Fund	Variable	\$ 38,870
Paine Webber Trust Company	Variable	5,247,690
		<u>\$5,286,560</u>

All of the investments are held in the name of the City's Pension Fund.



**CITY OF MARINE CITY**

**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

June 30, 2004

**NOTE 5: FIXED ASSETS**

Governmental Activities Fixed Assets:

A summary of changes in governmental fixed assets follows:

	<u>Balance 6/30/03</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 6/30/04</u>
General Government:				
Equipment and vehicles	\$1,222,677	\$ 9,141	\$ --	\$1,231,818
Buildings	485,352	42,626	--	527,978
Land	1,246,019	--	--	1,246,019
Public Safety:				
Equipment and vehicles	634,927	36,608	24,481	647,054
Buildings	505,127	--	--	505,127
Capitalized leases	373,348	--	--	373,348
Public Works:				
Equipment and vehicles	197,295	14,284	--	211,579
Buildings	238,375	1,947	--	240,322
Recreation:				
Equipment	211,359	6,381	--	217,740
Buildings	226,960	--	--	226,960
Highway and street equipment	674,857	--	--	674,857
Cemetery:				
Equipment	30,364	--	--	30,364
Buildings	241,770	--	--	241,770
	6,288,430	110,987	24,481	6,374,936
Accumulated Depreciation	3,291,677	292,047	18,559	3,565,165
	<u>\$2,996,753</u>	<u>(\$181,060)</u>	<u>\$ 5,922</u>	<u>\$2,809,771</u>

The above amounts include land with a cost of \$1,246,019 not subject to depreciation.

Governmental activity depreciation, included on the Statement of Activities, was allocated as follows:

General Government	\$ 17,134
Public Safety	163,533
Public Works	38,472
Recreation	18,503
Highways and Streets	43,493
Cemetery	10,912
Total	<u>\$292,047</u>



**CITY OF MARINE CITY**

**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

June 30, 2004

**NOTE 5: FIXED ASSETS (Continued)**

A summary of the fixed assets of the Water Supply and Sewage Disposal System follows:

Water Supply and Sewage Disposal System

Water plant, lines, and equipment	\$ 3,344,632
Sewer plant, lines, and equipment	14,397,998
Land	<u>63,174</u>
	17,805,804
Less: Accumulated depreciation	<u>( 8,752,251)</u>
<b>NET FIXED ASSETS</b>	<b><u>\$ 9,053,553</u></b>

Depreciation for the water and sewer systems totaled \$80,694 and \$430,081, respectively, for the year ended June 30, 2004.

**NOTE 6: LONG-TERM DEBT**

The government issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. County contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the government is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Changes in Indebtedness:

	<u>Payable at June 30, 2003</u>	<u>Increase</u>	<u>Decrease</u>	<u>Payable at June 30, 2004</u>
General Obligation:				
General obligation bonds	\$5,535,000	\$ --	\$590,000	\$4,945,000
Fire truck leases	213,110	--	21,702	191,408
Accrued sick pay	<u>75,664</u>	<u>26,139</u>	<u>--</u>	<u>101,803</u>
Total General Obligation	5,823,774	26,139	611,702	5,238,211
Revenue Bonds	495,000	--	10,000	485,000
Drinking Water Revolving Fund				
Bonds	965,000	--	50,000	915,000
Special Assessment Bonds	<u>89,000</u>	<u>--</u>	<u>4,000</u>	<u>85,000</u>
Total Indebtedness	<u>\$7,372,774</u>	<u>\$26,139</u>	<u>\$675,702</u>	<u>\$6,723,211</u>



**CITY OF MARINE CITY**

**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

June 30, 2004

**NOTE 6: LONG-TERM DEBT (Continued)**

Changes in Indebtedness: (Continued)

	<u>Payable at June 30, 2003</u>	<u>Increase</u>	<u>Decrease</u>	<u>Payable at June 30, 2004</u>
Total Water and Sewer Fund Indebtedness	\$1,460,000	\$ --	\$ 60,000	\$1,400,000
Total Governmental Indebtedness	5,823,774	26,139	611,702	5,238,211
Special Assessments	89,000	--	4,000	85,000
Total Indebtedness	<u>\$7,372,774</u>	<u>\$26,139</u>	<u>\$675,702</u>	<u>\$6,723,211</u>

The general obligation bonds and indebtedness are to be financed by revenues of the Debt Service Fund. The installment loan revenue bonds are to be retired by the revenues of the Water and Sewer Fund. The special assessment bonds are to be retired from collection of special assessments.

The following is a summary of indebtedness and annual principal and interest requirements:

Summary of Indebtedness:

	<u>Number of Issues</u>	<u>Interest Rate</u>	<u>Maturing Through</u>	<u>Principal Outstanding</u>
General Obligations:				
Public Improvement Bond	1	6.25%	2007	\$ 225,000
1991 Unlimited Tax Bonds - Series A	1	2.00	2013	4,315,000
1991 Unlimited Tax Bonds - Series B	1	7.25	2006	90,000
1992 Unlimited Tax Bonds - Series C	1	2.00	2012	175,000
1992 Limited Tax Wastewater Treatment System Bonds	1	2.00	2011	140,000
Fire truck leases (see note below)	1	6.61	2012	191,408
Accrued sick pay	N/A	N/A	N/A	101,803
Total General Obligations				<u>\$5,238,211</u>
Special Assessment Bonds	1	5.00	2021	<u>\$ 85,000</u>
Revenue Bonds-Water & Sewer System	1	5.00	2021	<u>\$ 485,000</u>
Drinking Water Revolving Funds Bonds	1	2.50	2019	<u>\$ 915,000</u>



# CITY OF MARINE CITY

## NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2004

### NOTE 6: LONG-TERM DEBT (Continued)

Fire Truck Leases: These leases are capital leases. Interest has been imputed at the rate of 6.61% per annum. These leases have been included in "Summary of Principal and Interest Requirements" below, under General Obligations. Future minimum lease payments are as follows:

<u>Date of Lease</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Payable in Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Imputed Interest</u>	<u>Future Minimum Lease Payments</u>
9/14/98	\$275,975	6.61%	2005	\$ --	\$ --	\$ --
			2006	22,957	11,064	34,021
			2007	24,284	9,737	34,021
			2008	25,687	8,333	34,020
			2009	27,172	6,848	34,020
			2010	28,743	5,278	34,021
			2011	30,404	3,616	34,020
			2012	32,161	1,859	34,020
				<u>\$191,408</u>	<u>\$46,735</u>	<u>\$238,143</u>

Annual lease payments of \$34,020 are due each July 1.

### Summary of Principal and Interest Requirements:

	<u>Year Ending June 30</u>				
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General Obligations	\$713,189	\$705,637	\$652,888	\$573,200	\$578,000
Revenue Bonds	24,500	34,000	33,500	33,000	32,500
Drinking Water Revolving Fund Bonds	72,875	76,625	75,250	73,875	72,500
Special Assessment Bonds	<u>8,150</u>	<u>7,950</u>	<u>7,750</u>	<u>7,550</u>	<u>7,350</u>
Total Principal and Interest Requirements	<u>\$818,714</u>	<u>\$824,212</u>	<u>\$769,388</u>	<u>\$687,625</u>	<u>\$690,350</u>
	<u>2010-2014</u>	<u>2015-2019</u>	<u>2020-2024</u>	<u>Total</u>	
General Obligations	\$2,230,500	\$ --	\$ --	\$5,453,414	
Revenue Bonds	264,375	234,500	84,000	740,375	
Drinking Water Revolving Fund Bonds	370,625	365,875	--	1,107,625	
Special Assessment Bonds	<u>37,350</u>	<u>35,726</u>	<u>12,600</u>	<u>124,426</u>	
Total Principal and Interest Requirements	<u>\$2,902,850</u>	<u>\$636,101</u>	<u>\$96,600</u>	<u>\$7,425,840</u>	

Complete details of bonded indebtedness are found on pages 55 through 61.



# CITY OF MARINE CITY

## NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2004

### NOTE 6: LONG-TERM DEBT (Continued)

#### Debt Margin:

Michigan Compiled Law limits indebtedness incurred by cities to 10% of the total state equalized valuation of the city. For the fiscal year 03/04, the state equalized value of the City of Marine City was \$136,928,405; therefore, the legal debt margin is \$13,692,841.

#### Component Units - Tax Increment Bonds:

At June 30, 2004, the City had a total of \$375,000 of Tax Increment Bonds, series 2001 outstanding. The City has pledged its full faith and credit in the event the Component Unit Debt Retirement Fund does not pay the principal and interest payments as they come due (see page 62 for complete details).

### NOTE 7: INTERFUND/COMPONENT UNIT RECEIVABLES AND PAYABLES

During the course of operations, numerous transactions occur between individual funds and component units for goods provided or services rendered. These receivables and payables are classified as "Due from other funds/component units" or "Due to other funds/component units" on the balance sheet. The amounts of interfund/component units receivables and payables are as follows:

<u>Fund/Component Unit</u>	<u>Receivable</u>	<u>Fund/Component Unit</u>	<u>Payable</u>
		Major Street Fund	\$ 4,514
		Local Street Fund	1,378
		Capital Projects	10,000
		Water and Sewer Fund	430
		Tax Fund	98,643
General Fund	<u>\$114,965</u>		<u>\$114,965</u>
Local Street Fund	<u>\$ 18,116</u>	Major Street Fund	<u>\$ 18,116</u>
		Water and Sewer Fund	\$ 9,859
Debt Service Fund-1991		Tax Fund	10,959
Unlimited Tax Bonds Series A	<u>\$ 20,818</u>		<u>\$ 20,818</u>
Debt Services Fund -			
Public Improvement Bonds	<u>\$ 6,804</u>	Tax Fund	<u>\$ 6,804</u>
		Water and Sewer Fund	\$ 3,821
Debt Service Fund-1991		Tax Fund	1,052
Unlimited Tax Bonds Series B	<u>\$ 4,873</u>		<u>\$ 4,873</u>
		Water and Sewer Fund	\$ 7,641
Debt Service Fund-1992		Tax Fund	217
Unlimited Tax Bonds Series C	<u>\$ 7,858</u>		<u>\$ 7,858</u>



# CITY OF MARINE CITY

## NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2004

### NOTE 7: INTERFUND/COMPONENT UNIT RECEIVABLES AND PAYABLES (Continued)

<u>Fund/Component Unit</u>	<u>Receivable</u>	<u>Fund/Component Unit</u>	<u>Payable</u>
Debt Service Fund-1992 Limited Tax Bonds	<u>\$ 4,186</u>	Water and Sewer Fund Tax Fund	<u>\$ 3,821</u> <u>365</u> <u>\$ 4,186</u>
Special Assessments Fund	<u>\$ 53,423</u>	Water and Sewer Fund	<u>\$ 53,423</u>

### NOTE 8: FUND BALANCE/RETAINED EARNINGS RESERVATIONS/DESIGNATIONS

#### Water and Sewer Fund:

#### Retained Earnings Reserved:

For asset replacement per Bond Ordinance 48, as amended by 48A and 57	<u>\$ 5,000</u>
For sewer construction	<u>9,266</u>
	<u>\$14,266</u>

### NOTE 9: RISK FINANCING

The City of Marine City purchases insurance coverage from independent third parties and is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by insurance purchased from independent third parties. Settled claims from these risks have not exceeded insurance coverage during the year.

### NOTE 10: INTERFUND AND COMPONENT UNIT TRANSFERS

<u>Transfers In</u>		<u>Transfers Out</u>	
General Fund	<u>\$ 10,000</u>	Capital Projects	<u>\$ 10,000</u>
Local Street Fund	<u>\$ 52,910</u>	Major Street Fund	<u>\$ 52,910</u>
		General Fund	<u>\$ 63,135</u>
Retiree Health	<u>\$124,060</u>	Water and Sewer Fund	<u>60,925</u> <u>\$124,060</u>
1991 Unlimited Tax Bonds- Series A	<u>\$120,000</u>	T.I.F.A. #2	<u>\$ 35,000</u>
		T.I.F.A. #3	<u>85,000</u> <u>\$120,000</u>
Capital Projects	<u>\$ 57,922</u>	General Fund	<u>\$ 57,922</u>
Cemetery Fund	<u>\$ 10,000</u>	General Fund	<u>\$ 10,000</u>



CITY OF MARINE CITY

NOTES TO FINANCIAL STATEMENTS  
(Continued)

June 30, 2004

NOTE 11: LEASES

The City has entered into two leases for copying equipment. Minimum lease payments under these agreements total \$3,176, \$3,176, \$2,883, and \$2,063 each year during the years ended June 30, 2005, 2006, 2007, and 2008, respectively. These leases have been treated as operating leases. Lease expense for the period amounted to \$8,089.

NOTE 12: EMPLOYEE RETIREMENT SYSTEM

A. PLAN DESCRIPTION

The City of Marine City Retirement System is a single-employer defined benefit pension plan administered by the City of Marine City. The plan provides retirement benefits to plan members and beneficiaries. The City Council of the City of Marine City has the authority to establish and amend benefit provisions. The City does not issue a stand-alone financial report for this Fund.

Substantially all of the City's employees participate in the City of Marine City Retirement System. The payroll for employees covered by the Retirement System for the year ended June 30, 2004, was approximately \$1,402,000, with payroll for the year totaling approximately \$1,900,000. Membership in the Retirement System as of June 30, 2003 (latest actuarial report available), is comprised of the following:

<u>Group</u>	<u>Employees</u>
Retirees and beneficiaries currently receiving benefits	15
Active employees - fully vested	17
- nonvested	9

Employees attaining the age of 55 who have completed 25 or more continuous years of service or who have attained the age of 60 with 10 or more years of service are entitled to annual benefits of 2.25 percent (2.0 percent prior to 2003) of their final average compensation for each year of continuous service. Benefits are reduced by .005 for each month, or fraction thereof, by which the date of benefit commencement precedes the member's attainment of age 60.

The Retirement System allows early retirement at the completion of 15 years of continuous service. Active employees, with 10 or more years of service, who become disabled, are entitled to the same benefit as if voluntarily retired. Disability benefits are paid until the earlier of death or recovery from disability. If the disabled member becomes gainfully employed, the pension benefit is reduced by the amount so earned.



CITY OF MARINE CITY

NOTES TO FINANCIAL STATEMENTS  
(Continued)

June 30, 2004

NOTE 12: EMPLOYEE RETIREMENT SYSTEM (Continued)

A. PLAN DESCRIPTION (Continued)

Retiring members have the option of any of the following benefit payment plans:

1. Level straight life pension
2. Refund of a percentage, up to 100%, of the member's accumulated contributions, excluding interest, on the effective date of retirement
3. 100% survivor pension - member to receive reduced benefit with provision for survivor to receive same benefit for life upon member's death
4. 50% survivor pension - member to receive reduced benefit with provision for survivor to receive 1/2 of benefit for life upon member's death
5. Social security coordinated - member to receive increased benefit until age 65 and reduced benefit thereafter

In the event that all level straight life or social security coordinated payments terminate before the member's accumulated contributions are paid, the remainder is to be paid to the member's survivor.

If an employee terminates employment with the City and is not eligible for any other benefits under the Retirement System, the employee is entitled to the following:

- If voluntary retirement conditions have not been met - may receive lump sum payment equal to the larger of (1) the actuarial equivalent of the deferred pension, or (2) their accumulated contributions.
- If voluntary retirement conditions have been met - may receive vested benefits at normal retirement age.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PLAN ASSET MATTERS

The Pension Fund uses the accrual method of accounting. Contributions from the City and the City's employees are recognized as revenue in the period in which employees provide services to the City. Investment income is recognized as earned by the pension plan. Benefits and refunds are recognized when paid.

Assets are recorded at market for reporting purposes and at market for actuarial valuation.

Investments, other than U.S. Government securities, that represent 5% or more of the plan's assets are as follows:

<u>Investments</u>	<u>% of Plan Assets</u>
Paine Webber Trust Company	99.0%



# CITY OF MARINE CITY

## NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2004

### NOTE 12: EMPLOYEE RETIREMENT SYSTEM (Continued)

#### C. FUNDING POLICY

The contribution requirements of plan members and the City are established and may be amended by the City Council. Plan members are required to contribute 5% of their annual covered salary. The City is required to contribute at an actuarially determined rate; the current rate is 4.23% of annual covered payroll.

The costs of administering the plan are paid from plan assets.

#### D. FUND BALANCE ALLOCATION

	Total Reserved <u>Fund Balance</u>	Fund Balance Reserved For Employee <u>Contribution</u>	Fund Balance Reserved For Employer <u>Contribution</u>	Fund Balance Reserved For Annuities	Unallocated Fund <u>Balance</u>
Balance at July 1, 2002	\$4,947,435	\$1,290,254	\$3,249,560	\$407,621	\$ --
Additions:					
Employee contributions	70,922	70,922	--	--	--
Employer contributions	58,921	--	58,921	--	--
Interest earnings	206,244	--	--	--	206,244
Unrealized gain	372,933	--	--	--	372,933
Total Balance and Add.	5,656,455	1,361,176	3,308,481	407,621	579,177
Trans. (net of ann. purchase)	--	35,389	456,001	46,137	(537,527)
Total Revised Balances	5,656,455	1,396,565	3,764,482	453,758	41,650
Deductions:					
Administration	41,650	--	--	--	41,650
Annuities	215,530	--	--	215,530	--
Employee distributions	112,715	112,715	--	--	--
Balance at June 30, 2003	<u>\$5,286,560</u>	<u>\$1,283,850</u>	<u>\$3,764,482</u>	<u>\$238,228</u>	<u>\$ --</u>

At June 30, 2004, \$1,695,546 needs to be transferred from employee and employer reserve to annuity reserve. This allocation will be determined when the June 30, 2004, actuary report is issued.

#### E. ANNUAL PENSION COST AND NET PENSION OBLIGATION

The City's annual pension cost for the current year totaled \$58,921, and there was no net pension obligation as of the latest valuation date of June 30, 2003. The annual required contribution for the current year was determined as part of the June 30, 2003, actuarial valuation using an individual entry-age actuarial funding method. The actuarial assumptions included: (a) 7.25% investment rate of return (net of administrative expenses), (b) a long-term inflation rate of 4.5%, (c) projected salary increases of 4.5% per year compounded annually, attributable to inflation, (d) additional projected salary increases ranging from 0.2% to 4.0% per year, depending on age, attributable to seniority/merit, (e) the assumptions that benefits will not increase after retirement, and (f) market value of plan assets at actuarial plan date are used to determine the actuarial value of assets.



**CITY OF MARINE CITY**

**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

June 30, 2004

**NOTE 12: EMPLOYEE RETIREMENT SYSTEM (Continued)**

There was an unfunded actuarial accrued liability of \$504,608 at June 30, 2003. To remedy this, the City's contribution will increase to 10.88% of valuation payroll for 2004 wages. The actuary feels that this will be sufficient to meet the system's financial objective.

**NOTE 13: DEFERRED COMPENSATION PLAN**

The City offers its employees a deferred compensation plan created in accordance with IRC Section 457. The plan, available to all employees, permits them to defer a portion of their current salary until future years.

The City matches employee contributions for those employees who elect not to participate in the City's pension plan. Currently, the City is matching contributions for three employees. The City Council approves the matching contribution rate each year.

All amounts of compensation deferred under the plan, all property and rights purchased with such amounts, and all income attributable to such amounts, property, or rights are held in trust for the exclusive benefit of participants and their beneficiaries.

It is the opinion of the City that the City has no liability for losses under the plan, but does have the duty of care that would be required of an ordinary prudent investor.

**NOTE 14: CONTINGENCIES**

The City's landfill has not been operated for several years. As of June 30, 2001, the State of Michigan has agreed to supervise and finance the closure of this landfill. The City will be responsible on an on-going basis for the treatment of leachate generated by the site.

During the year, the City discovered that one of its component units, T.I.F.A. #2, has been capturing tax revenues in an area not appropriately included in the district. The City currently believes that this could result in a potential liability of that component unit of approximately \$68,000. However, over 50% of any amounts due would be due to various funds of the City. No provision has been made on the component unit's balance sheet for this potential liability.

**NOTE 15: WORKING CAPITAL**

The Water Supply and Sewage Disposal Fund has a working capital balance of \$618,802 at June 30, 2004.

**NOTE 16: POSTRETIREMENT BENEFITS**

The City has agreed to provide postretirement hospitalization insurance to all of its employees as follows:

The City's obligations for these benefits are established by labor contracts. Currently, under these contracts the City is responsible for 100% of the cost of these benefits.



**CITY OF MARINE CITY**

**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

June 30, 2004

**NOTE 16: POSTRETIREMENT BENEFITS (Continued)**

The City has established the Retirees' Health Insurance Fund, to establish a fund to temporarily set aside funds for this obligation on a voluntary basis. This has been treated as a special revenue fund. Commencing July 1, 2004, the City has established a Retiree Health Trust Fund. In the future, the City intends to fund this cost annually, on an actuarially determined basis.

**NOTE 17: CHANGE IN ACCOUNTING PRINCIPLE**

The City has adopted GASB Interpretation #6 for its accounting for vested vacation accruals for current employees. Previously, such amounts were accrued at year end in the governmental funds. The new accounting principle does not accrue such liabilities at year end in the governmental funds, as a result, the opening balance in accrued vacation has increased fund balance. All compensated absences have been accrued in the entity-wide Statement of Net Assets.



**SUPPLEMENTAL INFORMATION**

**CITY OF MARINE CITY**  
**PENSION TRUST FUND**  
**REQUIRED SUPPLEMENTARY INFORMATION**

June 30, 2004  
(Per latest actuarial report dated June 30, 2003)

**SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets# (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Active Member Covered Payroll (c)	Unfunded AAL as a Percentage of Active Member Covered Payroll ((b - a)/c)
(\$ amounts in thousands)						
06/30/94	\$ **	\$ **	\$ **	** %	\$ **	\$ **
06/30/95	2,790	2,215	(575)	126.0	1,097	--
06/30/96	3,201	2,610	(591)	122.6	1,140	--
06/30/97	3,732	2,850	(882)	130.9	1,264	--
06/30/98	4,299	3,435	(863)	125.2	1,293	--
06/30/99	4,685	3,866	(819)	121.2	1,401	--
06/30/00	4985	4,167	(818)	119.6	1,342	--
06/30/01	5286	4,527	(759)	118.2	1,468	--
06/30/02	5464	4,854	(610)	112.6	1,471	--
06/30/03*	5397	5,901	504	91.5	1,317	38.3

Analysis of the dollar amounts of actuarial value of assets, actuarial accrued liability, or unfunded actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the actuarial accrued liability provides one indication of the system's funded status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan. The unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of covered payroll approximately adjusts for the effects of inflation and aids analysis of the progress being made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the plan.

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Fiscal Year Beginning July 1	Actuarial Valuation Date June 30	Annual Required Contribution	Percent Contributed
1994	1993	\$ 81,587	100 %
1995	1994	95,068	100
1996	1995	89,606	100
1997	1996	88,652	100
1998	1997	81,304	100
1999	1998	52,176	100
2000	1999	45,946	100
2001	2000	39,569	100
2002	2001	40,921	100
2003	2002	50,414	100
2004	2003	58,921	100

# Market value

\*\* Actuarial information is unavailable for these years.

For required supplementary information see Note 12.

\* During the year, the City increased pension benefits by 11.25%.



CITY OF MARINE CITY  
PENSION TRUST FUND  
REQUIRED SUPPLEMENTARY INFORMATION  
(Continued)

June 30, 2004  
(Per latest actuarial report dated June 30, 2003)

The information presented on the previous page was determined as part of the actuarial valuation at the dates indicated. Additional information as of the latest actuarial valuation is as follows:

Actuarial Cost Method	Entry age
Amortization Method	Level percent, closed
Remaining Amortization Period	20 years
Asset Valuation Method	4 - year smoothed market
Actuarial Assumptions:	
Investment Rate of Return	7.25%
Projected Salary Increases	4.5%
Inflation Included in Increase	4.5%



## CITY OF MARINE CITY

COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS

For the year ended June 30, 2004

	Special Revenue Funds											Permanent Fund
	Debt Service Funds					Special Revenue Funds						
	Capital Projects Fund	1991		1992		1992	Economic Development Corporation		Retiree Health Fund	Woodlawn Cemetery	Library Fund	
		Public Improvement Bonds	Unlimited Tax Bonds- Series B	Unlimited Tax Bonds- Series C	Limited Tax Bonds							Total Non-Major Funds
ASSETS												
Cash	\$ 248,677	\$ 5,672	\$ 4,189	\$ 4,926	\$ 5,371	\$ 5,009	\$ 461,654	\$ 17,576	\$ 17,928	\$ 123,603	\$ 894,605	
Taxes and special assessment receivable	--	--	--	--	--	--	--	1,160	--	--	1,160	
Due from other funds	--	6,804	4,873	7,858	4,186	--	--	--	--	--	23,721	
TOTAL ASSETS	\$ 248,677	\$ 12,476	\$ 9,062	\$ 12,784	\$ 9,557	\$ 5,009	\$ 461,654	\$ 18,736	\$ 17,928	\$ 123,603	\$ 919,486	
LIABILITIES AND FUND BALANCE												
Liabilities:												
Accounts payable	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 3,460	\$ 533	\$ --	\$ --	\$ 3,993	
Accrued wages	--	--	--	--	--	--	--	1,590	--	--	1,590	
Deferred revenue	--	6,803	1,052	216	365	--	--	--	--	--	8,436	
Due to other funds	10,000	--	--	--	--	--	--	--	--	--	10,000	
Total Liabilities	10,000	6,803	1,052	216	365	--	3,460	2,123	--	--	24,019	
Fund Balance:												
Reserved for debt retirement	--	5,673	8,010	12,568	9,192	--	--	--	--	--	35,443	
Unreserved	238,677	--	--	--	--	5,009	458,194	16,613	17,928	123,603	860,024	
TOTAL FUND EQUITY	238,677	5,673	8,010	12,568	9,192	5,009	458,194	16,613	17,928	123,603	895,467	
TOTAL LIABILITIES AND FUND BALANCE	\$ 248,677	\$ 12,476	\$ 9,062	\$ 12,784	\$ 9,557	\$ 5,009	\$ 461,654	\$ 18,736	\$ 17,928	\$ 123,603	\$ 919,486	

See accompanying letter.



CITY OF MARINE CITY

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS

For the year ended June 30, 2004

	Capital Projects Fund	Debt Service Funds					Special Revenue Funds					Permanent Fund	
		Public Improvement Bonds	1991 Unlimited Tax Bonds- Series B	1992 Unlimited Tax Bonds- Series C	1992 Limited Tax Bonds	Economic Development Corporation	Retiree Health Fund	Woodlawn Cemetery	Library Fund	Cemetery Perpetual Care	Total Non-Major Funds		
Revenues:													
Property taxes	\$	89,863	28,544	2,846	12,967	\$	\$	\$	\$	\$	\$	\$	\$
Interest income	2,168	550	302	205	193	54	4,157	172	193	1,333	134,220		
User fees and other charges	-	-	3,821	7,641	3,821	-	-	17,192	-	-	32,475		
Reimbursements from other funds and local units	-	-	9,267	-	-	-	-	-	-	-	9,267		
TOTAL REVENUES	2,168	90,413	41,934	10,692	16,981	54	4,157	17,364	193	1,333	185,289		
Other Financing Sources:													
Transfers from other funds	57,922	-	-	-	-	-	124,060	10,000	-	-	191,982		
TOTAL REVENUES AND OTHER FINANCING SOURCES	60,090	90,413	41,934	10,692	16,981	54	128,217	27,364	193	1,333	377,271		
Expenditures:													
Current:													
General government	-	-	-	-	-	-	59,466	-	-	-	59,466		
Legal	-	130	130	130	130	-	-	-	-	-	520		
Miscellaneous	-	160	14	2	4	-	-	-	-	-	180		
Cemetery operations	-	-	-	-	-	-	-	31,990	-	-	31,990		
Debt service:													
Principal	-	75,000	40,000	20,000	20,000	-	-	-	-	-	155,000		
Interest and other charges	-	19,528	9,825	3,900	3,200	-	-	-	-	-	36,453		
TOTAL EXPENDITURES	-	94,818	49,969	24,032	23,334	-	59,466	31,990	-	-	283,609		
Other Financing Uses:													
Transfers to other funds	10,000	-	-	-	-	-	-	-	-	-	10,000		
TOTAL EXPENDITURES AND OTHER FINANCING USES	10,000	94,818	49,969	24,032	23,334	-	59,466	31,990	-	-	293,609		
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER USES	50,090	(4,405)	(8,035)	(13,340)	(6,353)	54	68,751	(4,626)	193	1,333	83,662		
Fund Balances at July 1, 2003	188,587	10,078	16,045	25,908	15,545	4,955	389,443	21,239	17,735	122,270	811,805		
FUND BALANCES AT JUNE 30, 2004	\$ 238,677	\$ 5,673	\$ 8,010	\$ 12,568	\$ 9,192	\$ 5,009	\$ 458,194	\$ 16,613	\$ 17,928	\$ 123,603	\$ 895,467		



**SUPPLEMENTAL SCHEDULES**

**CITY OF MARINE CITY**

**OTHER GOVERNMENTAL FUNDS  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended June 30, 2004

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable) Final to Actual
	Original	Final		
<b><u>ECONOMIC DEVELOPMENT CORPORATION</u></b>				
Revenues:				
Interest and penalties earned	\$ 50	\$ 50	\$ 54	\$ 4
TOTAL REVENUES	50	50	54	4
Fund Balance at July 1, 2003	4,955	4,955	4,955	--
FUND BALANCE AT JUNE 30, 2004	<u>\$ 5,005</u>	<u>\$ 5,005</u>	<u>\$ 5,009</u>	<u>\$ 4</u>
<b><u>RETIREE HEALTH CARE</u></b>				
Revenues:				
Interest and penalties earned	\$ 2,400	\$ 4,157	\$ 4,157	\$ --
Other Financing Sources:				
Transfers from other funds	124,060	124,060	124,060	--
TOTAL REVENUES AND OTHER FINANCING SOURCES	126,460	128,217	128,217	--
Expenditures:				
General government	26,150	60,000	59,466	534
EXCESS OF REVENUES OVER EXPENDITURES	100,310	68,217	68,751	534
Fund Balance at July 1, 2003	389,443	389,443	389,443	--
FUND BALANCE AT JUNE 30, 2004	<u>\$ 489,753</u>	<u>\$ 457,660</u>	<u>\$ 458,194</u>	<u>\$ 534</u>

See accompanying notes.



**CITY OF MARINE CITY**

**OTHER GOVERNMENTAL FUNDS  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET (GAAP BASIS) AND ACTUAL  
(Continued)**

For the year ended June 30, 2004

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable) Final to Actual
	Original	Final		
<b><u>WOODLAWN CEMETERY</u></b>				
Revenues:				
Interest and penalties earned	\$ 175	\$ 175	\$ 172	\$ (3)
User fees and other charges	13,200	16,000	17,192	1,192
TOTAL REVENUES	<u>13,375</u>	<u>16,175</u>	<u>17,364</u>	<u>1,189</u>
Other Financing Sources:				
Transfers from other funds	13,890	10,000	10,000	--
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>27,265</u>	<u>26,175</u>	<u>27,364</u>	<u>1,189</u>
Expenditures:				
Cemetery operations	27,265	35,730	31,990	3,740
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	--	(9,555)	(4,626)	4,929
Fund Balance at July 1, 2003	21,239	21,239	21,239	--
FUND BALANCE AT JUNE 30, 2004	<u>\$ 21,239</u>	<u>\$ 11,684</u>	<u>\$ 16,613</u>	<u>\$ 4,929</u>
<b><u>CEMETERY PERPETUAL CARE</u></b>				
Revenues:				
Interest and penalties earned	\$ 1,200	\$ 1,200	\$ 1,333	\$ 133
TOTAL REVENUES	<u>1,200</u>	<u>1,200</u>	<u>1,333</u>	<u>133</u>
Fund Balance at July 1, 2003	122,270	122,270	122,270	--
FUND BALANCE AT JUNE 30, 2004	<u>\$ 123,470</u>	<u>\$ 123,470</u>	<u>\$ 123,603</u>	<u>\$ 133</u>
<b><u>LIBRARY FUND</u></b>				
Revenues:				
Property taxes	\$ 250	\$ 250	\$ 193	\$ (57)
TOTAL REVENUES	<u>250</u>	<u>250</u>	<u>193</u>	<u>(57)</u>
Fund Balance at July 1, 2003	17,735	17,735	17,735	--
FUND BALANCE AT JUNE 30, 2004	<u>\$ 17,985</u>	<u>\$ 17,985</u>	<u>\$ 17,928</u>	<u>\$ (57)</u>

See accompanying notes.



**CITY OF MARINE CITY**  
**COMPONENT UNITS**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
For the year ended June 30, 2004

	Budget	Actual	Variance Favorable (Unfav.)
<u>T.I.F.A. # 1</u>			
Revenues:			
Property taxes	\$ 52,700	\$ 52,617	\$ (83)
Grant proceeds	31,500	84,198	52,698
Interest	800	1,608	808
TOTAL REVENUES	<u>85,000</u>	<u>138,423</u>	<u>53,423</u>
Expenditures:			
Contractual	3,000	--	3,000
Principal payment on bonds	20,000	20,000	--
Interest and agent fees	18,145	18,145	--
TOTAL EXPENDITURES	<u>41,145</u>	<u>38,145</u>	<u>3,000</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ 43,855</u>	<u>\$ 100,278</u>	<u>\$ 50,423</u>
<u>T.I.F.A. # 2</u>			
Revenues:			
Property taxes	\$ 99,140	\$ 94,434	\$ (4,706)
Interest	2,000	2,888	888
TOTAL REVENUES	<u>101,140</u>	<u>97,322</u>	<u>(3,818)</u>
Expenditures:			
Professional service	6,450	6,431	19
Other Financing Uses - Transfer to other funds	35,000	35,000	--
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>41,450</u>	<u>41,431</u>	<u>19</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ 59,690</u>	<u>\$ 55,891</u>	<u>\$ (3,799)</u>
<u>T.I.F.A. # 3</u>			
Revenues:			
Property taxes	\$ 252,800	\$ 253,139	\$ 339
Interest	3,700	6,471	2,771
TOTAL REVENUES	<u>256,500</u>	<u>259,610</u>	<u>3,110</u>
Expenditures:			
Professional service	6,450	6,430	20
Other Financing Uses - Transfer to other funds	85,000	85,000	--
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>91,450</u>	<u>91,430</u>	<u>20</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ 165,050</u>	<u>\$ 168,180</u>	<u>\$ 3,130</u>

See accompanying letter.



## CITY OF MARINE CITY

GENERAL FUND  
DETAILS OF REVENUES

For the year ended June 30, 2004

	Budget	Actual	Variance Favorable (Unfav.)
Tax Collections	\$ 1,786,075	\$ 1,756,925	\$ (29,150)
Distributions From State of Michigan:			
Sales tax	550,225	536,207	(14,018)
Liquor license fees	4,275	3,925	(350)
	<u>554,500</u>	<u>540,132</u>	<u>(14,368)</u>
Licenses, Permits, Fines, and Fees:			
Traffic violation fines	18,500	21,208	2,708
Permits and licenses	34,000	33,296	(704)
	<u>52,500</u>	<u>54,504</u>	<u>2,004</u>
Other Revenues:			
Fire protection fees	127,000	127,000	--
Recreation	42,300	27,297	(15,003)
Grant proceeds	3,826	3,826	--
Telecommunications	15,450	15,434	(16)
Zoning and site plan fees	1,200	1,150	(50)
Interest and penalties earned	26,200	25,792	(408)
Franchise fees	20,500	20,452	(48)
Miscellaneous	26,950	24,240	(2,710)
Intergovernmental - equipment rental	72,000	54,078	(17,922)
Sale of assets	4,925	4,920	(5)
Weed cutting services	1,700	1,020	(680)
Charge for services	8,000	6,260	(1,740)
Funding for capital leases	77,215	--	(77,215)
Cellular tower lease	7,000	7,000	--
Refuse	197,925	196,646	(1,279)
	<u>632,191</u>	<u>515,115</u>	<u>(117,076)</u>
Total Revenues	<u>3,025,266</u>	<u>2,866,676</u>	<u>(158,590)</u>
Other Financing Sources:			
Transfers from other funds	10,000	10,000	--
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 3,035,266</u>	<u>\$ 2,876,676</u>	<u>\$ (158,590)</u>

See accompanying letter.



**CITY OF MARINE CITY**  
**GENERAL FUND**  
**DETAILS OF EXPENDITURES**

For the year ended June 30, 2004

	Budget	Actual	Variance Favorable (Unfav.)
<b>LEGISLATIVE</b>			
City Commission:			
Salaries	\$ 6,000	\$ 6,000	\$ --
Payroll taxes and benefits	460	459	1
Supplies and publications	90	85	5
Training and tuition	250	205	45
Dues and memberships	4,125	4,057	68
Travel and meals	285	263	22
Community promotion	1,800	1,582	218
TOTAL LEGISLATIVE	<u>\$ 13,010</u>	<u>\$ 12,651</u>	<u>\$ 359</u>
<b>GENERAL GOVERNMENT</b>			
City Manager:			
Salary	\$ 49,450	\$ 49,451	\$ (1)
Payroll taxes and benefits	22,915	22,906	9
Supplies and publications	1,360	1,327	33
Telephone	1,895	1,877	18
Travel and meals	695	639	56
Miscellaneous	100	98	2
Equipment maintenance	365	359	6
Service charges	15	12	3
	<u>76,795</u>	<u>76,669</u>	<u>126</u>
Assessor:			
Supplies and publications	2,210	1,869	341
Repairs and maintenance	660	657	3
Contractual	27,240	24,536	2,704
Telephone	650	628	22
Advertising	420	420	--
	<u>31,180</u>	<u>28,110</u>	<u>3,070</u>
Legal and Professional:			
Contractual	<u>105,500</u>	<u>110,654</u>	<u>(5,154)</u>
Water Usage	<u>5,000</u>	<u>5,000</u>	<u>--</u>

See accompanying letter.



CITY OF MARINE CITY  
GENERAL FUND  
DETAILS OF EXPENDITURES  
(Continued)

For the year ended June 30, 2004

	Budget	Actual	Variance Favorable (Unfav.)
<u>GENERAL GOVERNMENT (Continued)</u>			
City Clerk:			
Salaries	\$ 40,560	\$ 36,162	\$ 4,398
Payroll taxes and benefits	12,315	11,807	508
Retirement	1,405	1,321	84
Supplies and publications	5,730	5,133	597
Contractual	1,750	363	1,387
Dues, memberships, and fees	235	154	81
Telephone	1,200	1,168	32
Travel and meals	1,320	1,187	133
Advertising	6,300	5,637	663
Training and tuition	500	255	245
Equipment maintenance	150	130	20
Capital outlay	1,130	1,128	2
	<u>72,595</u>	<u>64,445</u>	<u>8,150</u>
Boards and Commissions:			
Salaries	1,000	780	220
Supplies and publications	1,110	1,104	6
Contractual	24,085	23,510	575
Advertising	100	99	1
Training and tuition	60	14	46
	<u>26,355</u>	<u>25,507</u>	<u>848</u>
City Treasurer:			
Salaries	51,875	50,621	1,254
Payroll taxes and benefits	38,725	37,123	1,602
Retirement	2,375	2,261	114
Supplies and publications	6,840	6,538	302
Repairs and maintenance	955	951	4
Contractual	5,685	5,682	3
Dues and memberships	350	325	25
Service charges	300	256	44
Telephone	1,000	615	385
Travel and meals	495	484	11
Advertising	475	461	14
Training and tuition	515	508	7
Capital outlay	8,025	8,013	12
	<u>117,615</u>	<u>113,838</u>	<u>3,777</u>

See accompanying letter.



**CITY OF MARINE CITY**  
**GENERAL FUND**  
**DETAILS OF EXPENDITURES**  
(Continued)

For the year ended June 30, 2004

	Budget	Actual	Variance Favorable (Unfav.)
<b>GENERAL GOVERNMENT (Continued)</b>			
Buildings and Grounds:			
Salaries	\$ 16,375	\$ 14,365	\$ 2,010
Payroll taxes and benefits	1,275	1,099	176
Retirement	675	565	110
Supplies and publications	3,000	2,527	473
Repairs and maintenance	10,585	8,633	1,952
Contractual	29,200	28,598	602
Telephone	130	126	4
Capital outlay	48,370	42,626	5,744
Utilities	18,000	16,924	1,076
Equipment rental	6,775	6,758	17
	<u>134,385</u>	<u>122,221</u>	<u>12,164</u>
TOTAL GENERAL GOVERNMENT	<u>\$ 569,425</u>	<u>\$ 546,444</u>	<u>\$ 22,981</u>
<b>PUBLIC SAFETY</b>			
Police:			
Salaries	\$ 512,000	\$ 506,446	\$ 5,554
Payroll taxes and benefits	142,860	131,742	11,118
Retirement	22,875	22,177	698
Physical exams	740	298	442
Supplies and publications	8,600	7,492	1,108
Fuel	9,000	8,162	838
Ammunition	1,940	1,460	480
Clothing	13,000	11,629	1,371
Laundry	750	668	82
Repairs and maintenance	18,825	18,392	433
Professional and contractual	39,920	38,596	1,324
Service and witness fees	250	130	120
Telephone	11,500	9,598	1,902
Dues and memberships	250	212	38
Travel and meals	1,215	363	852
Community promotion	55	53	2
Equipment rental	3,000	2,277	723
Advertising	155	153	2
Training and tuition	5,535	5,004	531
Capital outlay	33,097	32,656	441
	<u>825,567</u>	<u>797,508</u>	<u>28,059</u>

See accompanying letter.



**CITY OF MARINE CITY**  
**GENERAL FUND**  
**DETAILS OF EXPENDITURES**  
(Continued)

For the year ended June 30, 2004

	Budget	Actual	Variance Favorable (Unfav.)
<b>PUBLIC SAFETY (Continued)</b>			
Fire:			
Salaries	\$ 134,150	\$ 123,457	\$ 10,693
Payroll taxes and benefits	25,985	21,495	4,490
Retirement	1,975	1,969	6
Physical exams	2,100	1,528	572
Supplies and publications	7,395	4,615	2,780
Fuel	2,050	1,778	272
Clothing	12,100	11,568	532
Repairs and maintenance	18,300	17,335	965
Contractual	2,900	2,337	563
Dues and memberships	350	300	50
Telephone	7,300	7,207	93
Travel and meals	200	39	161
Community promotion	600	536	64
Utilities	12,125	10,413	1,712
Training and tuition	5,100	2,706	2,394
Capital outlay	2,740	2,724	16
Non-motorized equipment	3,500	1,228	2,272
Equipment lease	22,575	22,520	55
Hydrant rental	19,000	19,000	--
	<u>280,445</u>	<u>252,755</u>	<u>27,690</u>
Inspections:			
Salaries	34,000	33,406	594
Payroll taxes and benefits	10,925	10,243	682
Retirement	1,600	1,514	86
Physical exams	145	141	4
Supplies and publications	2,495	2,056	439
Contractual	24,600	21,911	2,689
Repairs and maintenance	200	127	73
Dues and memberships	300	135	165
Advertising	1,625	1,604	21
Telephone	1,875	1,842	33
Travel and meals	1,100	636	464
Training and tuition	900	190	710
	<u>79,765</u>	<u>73,805</u>	<u>5,960</u>
<b>TOTAL PUBLIC SAFETY</b>	<u><b>\$ 1,185,777</b></u>	<u><b>\$ 1,124,068</b></u>	<u><b>\$ 61,709</b></u>

See accompanying letter.



CITY OF MARINE CITY  
GENERAL FUND  
DETAILS OF EXPENDITURES  
(Continued)

For the year ended June 30, 2004

	Budget	Actual	Variance Favorable (Unfav.)
<b>PUBLIC WORKS</b>			
General Maintenance:			
Salaries	\$ 197,420	\$ 195,330	\$ 2,090
Payroll taxes and benefits	110,675	108,706	1,969
Retirement	15,150	12,646	2,504
Supplies and publications	7,440	6,606	834
Clothing	5,500	4,630	870
Fuel	12,425	12,422	3
Repairs and maintenance	5,595	4,728	867
Contractual	1,100	1,093	7
Dues, memberships, and service fees	565	558	7
CDL consortium fee	400	399	1
Telephone	3,920	3,920	--
Vehicle expense	15,865	14,757	1,108
Travel and meals	1,785	1,779	6
Advertising	560	560	--
Utilities	10,810	9,787	1,023
Equipment rental	13,585	1,014	12,571
Capital outlay	93,465	16,231	77,234
Training and tuition	1,500	660	840
	<u>497,760</u>	<u>395,826</u>	<u>101,934</u>
Street Lighting	<u>72,000</u>	<u>72,188</u>	<u>(188)</u>
Refuse:			
Contractual	<u>197,925</u>	<u>196,646</u>	<u>1,279</u>
TOTAL PUBLIC WORKS	<u>\$ 767,685</u>	<u>\$ 664,660</u>	<u>\$ 103,025</u>



**CITY OF MARINE CITY**  
**GENERAL FUND**  
**DETAILS OF EXPENDITURES**  
(Continued)

For the year ended June 30, 2004

	Budget	Actual	Variance Favorable (Unfav.)
<b>RECREATION AND CULTURAL</b>			
Recreation:			
Salaries	\$ 49,220	\$ 47,531	\$ 1,689
Payroll taxes and benefits	4,025	3,636	389
Retirement	615	615	--
Supplies and publications	5,895	5,699	196
Community promotion	4,176	2,177	1,999
Contractual	10,690	10,687	3
Dues and memberships	390	390	--
Telephone	1,150	1,105	45
Travel and meals	120	118	2
Training and tuition	390	390	--
	<u>76,671</u>	<u>72,348</u>	<u>4,323</u>
Parks and Beach:			
Salaries	53,000	50,226	2,774
Payroll taxes and benefits	4,075	3,842	233
Retirement	1,025	860	165
Supplies and publications	5,790	5,096	694
Contractual	6,795	5,496	1,299
Telephone	525	459	66
Utilities	950	817	133
Repairs and maintenance	6,410	5,282	1,128
	<u>78,570</u>	<u>72,078</u>	<u>6,492</u>
Safety Program:			
Supplies and publications	785	700	85
Repairs and maintenance	1,340	889	451
Training and tuition	375	75	300
	<u>2,500</u>	<u>1,664</u>	<u>836</u>
Library:			
Supplies and publications	450	380	70
Repairs and maintenance	2,160	429	1,731
Contractual	6,840	6,502	338
Equipment lease	950	743	207
Capital outlay	2,700	--	2,700
Telephone	1,915	1,910	5
Utilities	5,910	5,567	343
	<u>20,925</u>	<u>15,531</u>	<u>5,394</u>
<b>TOTAL RECREATION AND CULTURAL</b>	<b>\$ 178,666</b>	<b>\$ 161,621</b>	<b>\$ 17,045</b>

See accompanying letter.



**CITY OF MARINE CITY**  
**GENERAL FUND**  
**DETAILS OF EXPENDITURES**  
(Continued)

For the year ended June 30, 2004

	Budget	Actual	Variance Favorable (Unfav.)
<b><u>OTHER EXPENDITURES</u></b>			
Insurance:			
Workers' compensation	\$ 15,600	\$ 15,564	\$ 36
Liability insurance	90,320	82,947	7,373
	<u>105,920</u>	<u>98,511</u>	<u>7,409</u>
Compensated Absences	<u>10,000</u>	<u>--</u>	<u>10,000</u>
Unemployment	<u>180</u>	<u>180</u>	<u>--</u>
Special Projects:			
Salaries	5,300	4,484	816
Payroll taxes and benefits	350	343	7
Retirement	200	190	10
Supplies	8,605	8,601	4
Capital outlay	6,425	6,381	44
Contractual	51,473	49,443	2,030
Settlements and property tax	2,270	2,334	(64)
	<u>74,623</u>	<u>71,776</u>	<u>2,847</u>
<b>TOTAL OTHER EXPENDITURES</b>	<b><u>\$ 190,723</u></b>	<b><u>\$ 170,467</u></b>	<b><u>\$ 20,256</u></b>
<b><u>OTHER FINANCING USES</u></b>			
Transfer to Capital Improvements Fund	\$ 57,922	\$ 57,922	\$ --
Transfer to Retirees' Health Insurance Fund	63,135	63,135	--
Transfer to Cemetery Fund	10,000	10,000	--
<b>TOTAL OTHER FINANCING USES</b>	<b><u>\$ 131,057</u></b>	<b><u>\$ 131,057</u></b>	<b><u>\$ --</u></b>



**CITY OF MARINE CITY**  
**WATER AND SEWER FUND**  
**SCHEDULE OF OPERATING EXPENSES**

For the year ended June 30, 2004

	Budget	Actual	Variance Favorable (Unfav.)
<b>WATER</b>			
General Administrative:			
Salaries	\$ 39,575	\$ 38,312	\$ 1,263
Payroll taxes and benefits	3,075	2,931	144
Retirement	1,700	1,659	41
Supplies and publications	2,650	2,423	227
Workers' compensation	7,200	7,075	125
Liability insurance	9,355	9,351	4
Repairs and maintenance	530	525	5
Contractual	6,065	6,065	--
Equipment lease	75	72	3
Telephone	400	314	86
	<u>70,625</u>	<u>68,727</u>	<u>1,898</u>
System Maintenance:			
Salaries	43,520	44,968	(1,448)
Payroll taxes and benefits	3,350	--	3,350
Retirement	1,870	1,868	2
Supplies	3,435	583	2,852
Repairs and maintenance	37,700	26,981	10,719
Dues and memberships	100	89	11
	<u>89,975</u>	<u>74,489</u>	<u>15,486</u>

See accompanying letter.



**CITY OF MARINE CITY**  
**WATER AND SEWER FUND**  
**SCHEDULE OF OPERATING EXPENSES**  
(Continued)

For the year ended June 30, 2004

	Budget	Actual	Variance Favorable (Unfav.)
<u>WATER (Continued)</u>			
Plant Operations:			
Salaries	\$ 297,215	\$ 297,214	\$ 1
Payroll taxes and benefits	90,855	90,438	417
Retirement	15,705	15,701	4
Supplies and publications	3,805	2,640	1,165
Physical exams	80	--	80
Fuel	785	782	3
Clothing	2,100	1,901	199
Lab supply	9,275	8,953	322
Custodial supply	560	557	3
Treatment supplies	12,275	11,884	391
Public supply and permit fees	1,100	1,010	90
Repairs and maintenance	9,895	4,044	5,851
Contractual	10,510	5,271	5,239
Dues and memberships	500	497	3
Utilities	24,495	24,486	9
Telephone	5,600	5,332	268
Advertising	1,000	934	66
Travel and meals expense	1,500	1,301	199
Equipment lease	1,200	844	356
Training and tuition	600	570	30
Depreciation	--	80,694	(80,694)
	<u>489,055</u>	<u>555,053</u>	<u>(65,998)</u>
<b>TOTAL WATER OPERATING EXPENSES</b>	<b>\$ <u>649,655</u></b>	<b>\$ <u>698,269</u></b>	<b>\$ <u>(48,614)</u></b>



**CITY OF MARINE CITY**  
**WATER AND SEWER FUND**  
**SCHEDULE OF OPERATING EXPENSES**  
(Continued)

For the year ended June 30, 2004

	Budget	Actual	Variance Favorable (Unfav.)
<b>SEWER</b>			
General Administrative:			
Salaries	\$ 38,420	\$ 38,312	\$ 108
Payroll taxes and benefits	3,075	2,931	144
Retirement	1,700	1,659	41
Workers' compensation	3,650	3,643	7
Supplies and publications	2,650	2,423	227
Repairs and maintenance	530	525	5
Contractual	13,590	13,585	5
Telephone	400	314	86
Liability insurance	7,385	7,382	3
Equipment rental	75	73	2
	<u>71,475</u>	<u>70,847</u>	<u>628</u>
System Maintenance:			
Salaries	7,735	4,052	3,683
Payroll taxes and benefits	850	310	540
Retirement	475	171	304
Permit fees	2,000	2,000	--
Dues and memberships	100	89	11
Supplies and publications	460	205	255
Repairs and maintenance	9,355	8,254	1,101
	<u>20,975</u>	<u>15,081</u>	<u>5,894</u>



**CITY OF MARINE CITY**  
**WATER AND SEWER FUND**  
**SCHEDULE OF OPERATING EXPENSES**  
(Continued)

For the year ended June 30, 2004

	Budget	Actual	Variance Favorable (Unfav.)
<b>SEWER (Continued)</b>			
Plant Operations:			
Salaries	\$ 166,450	\$ 165,089	\$ 1,361
Payroll taxes and benefits	31,865	29,908	1,957
Retirement	7,140	7,136	4
Physical exams	250	67	183
Supplies and publications	3,010	1,921	1,089
Fuel	300	229	71
Clothing	1,300	1,061	239
Lab supplies	4,850	4,443	407
Treatment supplies	6,500	6,133	367
Custodial supplies	150	--	150
Repairs and maintenance	5,475	5,244	231
Contractual	26,660	25,809	851
Advertising	1,105	1,024	81
Landfill and generation charges	3,015	2,182	833
Biosolids removal	54,365	54,363	2
Telephone	4,445	4,445	--
Dues and memberships	150	--	150
Permit fees	5,545	5,541	4
Utilities	44,600	43,137	1,463
Fines	100	100	--
Training	450	129	321
Depreciation	--	430,081	(430,081)
	<u>367,725</u>	<u>788,042</u>	<u>(420,317)</u>
Pump/Lift Station:			
Salaries	865	665	200
Payroll taxes	60	51	9
Retirement	50	23	27
Supplies	800	773	27
Contractual services	1,495	1,480	15
Telephone	400	403	(3)
Utilities	7,700	8,478	(778)
Repairs and maintenance	1,200	1,104	96
	<u>12,570</u>	<u>12,977</u>	<u>(407)</u>
<b>TOTAL SEWER OPERATING EXPENSES</b>	<b>\$ <u>472,745</u></b>	<b>\$ <u>886,947</u></b>	<b>\$ <u>(414,202)</u></b>

See accompanying letter.



**CITY OF MARINE CITY**  
**SCHEDULE OF INDEBTEDNESS**

June 30, 2004

**Water Supply and Sewage Disposal System Revenue Bonds - Series III:**

Date of Issue	Amount of Issue	Interest Rate	Payable In Fiscal Year Ended June 30	Principal	Interest	Total
10-2-81	\$ 628,000	5.00%	2005	\$ --	\$ 24,500	\$ 24,500
Principal due July 1			2006	10,000	24,000	34,000
Interest due July 1 and January 1			2007	10,000	23,500	33,500
			2008	10,000	23,000	33,000
			2009	10,000	22,500	32,500
			2010	35,000	21,375	56,375
			2011	35,000	19,625	54,625
			2012	35,000	17,875	52,875
			2013	35,000	16,125	51,125
			2014	35,000	14,375	49,375
			2015	35,000	12,625	47,625
			2016	35,000	10,875	45,875
			2017	40,000	9,000	49,000
			2018	40,000	7,000	47,000
			2019	40,000	5,000	45,000
			2020	40,000	3,000	43,000
			2021	40,000	1,000	41,000
				<u>485,000</u>	<u>\$ 255,375</u>	<u>\$ 740,375</u>
Total Revenue Bonds						



**CITY OF MARINE CITY**  
**SCHEDULE OF INDEBTEDNESS**  
(Continued)

June 30, 2004

Drinking Water Revolving Fund Bonds:

Date of Issue	Amount of Issue	Interest Rate	Payable In Fiscal Year Ended June 30	Principal	Interest	Total
9-29-98	\$ 1,155,000	2.50%	2005	\$ 50,000	\$ 22,875	\$ 72,875
Principal due April 1			2006	55,000	21,625	76,625
Interest due October 1 and April 1			2007	55,000	20,250	75,250
			2008	55,000	18,875	73,875
			2009	55,000	17,500	72,500
			2010	60,000	16,125	76,125
			2011	60,000	14,625	74,625
			2012	60,000	13,125	73,125
			2013	60,000	11,625	71,625
			2014	65,000	10,125	75,125
			2015	65,000	8,500	73,500
			2016	65,000	6,875	71,875
			2017	70,000	5,250	75,250
			2018	70,000	3,500	73,500
			2019	70,000	1,750	71,750
				<u>915,000</u>	<u>\$ 192,625</u>	<u>\$ 1,107,625</u>
Total Revolving Bonds						
Total Water and Sewer Fund Bonded Indebtedness				<u>1,400,000</u>		



**CITY OF MARINE CITY**  
**SCHEDULE OF INDEBTEDNESS**  
(Continued)

June 30, 2004

Special Assessment Bonds - 1981:

Date of Issue	Amount of Issue	Interest Rate	Payable In Fiscal Year Ended June 30	Principal	Interest	Total
10-2-81	\$ 167,000	5.00%	2005	\$ 4,000	\$ 4,150	\$ 8,150
Principal due September 1			2006	4,000	3,950	7,950
Interest due September 1			2007	4,000	3,750	7,750
and March 1			2008	4,000	3,550	7,550
			2009	4,000	3,350	7,350
			2010	4,000	3,150	7,150
			2011	5,000	2,925	7,925
			2012	5,000	2,675	7,675
			2013	5,000	2,425	7,425
			2014	5,000	2,175	7,175
			2015	5,000	1,925	6,925
			2016	6,000	1,650	7,650
			2017	6,000	1,350	7,350
			2018	6,000	1,050	7,050
			2019	6,000	751	6,751
			2020	6,000	450	6,450
			2021	6,000	150	6,150
Total Special Assessment Bonded Indebtedness				85,000	\$ 39,426	\$ 124,426



**CITY OF MARINE CITY**  
**SCHEDULE OF INDEBTEDNESS**  
(Continued)

June 30, 2004

General Obligation Public Improvement Bonds:

Date of Issue	Amount of Issue	Interest Rate	Payable In Fiscal Year Ended June 30	Principal	Interest	Total
4-1-87	\$ 2,750,000	6.25%	2005	\$ 75,000	\$ 14,063	\$ 89,063
Principal due April 1		6.25	2006	75,000	9,375	84,375
Interest due April 1 and October 1		6.25	2007	75,000	4,688	79,688
	Total Issue Outstanding			<u>225,000</u>	<u>\$ 28,126</u>	<u>\$ 253,126</u>

1991 General Obligation Unlimited Tax Bonds - Series A:

Date of Issue	Amount of Issue	Interest Rate	Payable In Fiscal Year Ended June 30	Principal	Interest	Total
6-27-91	\$ 9,010,000	2.00%	2005	\$ 440,000	\$ 86,300	\$ 526,300
Principal due April 1			2006	450,000	77,500	527,500
Interest due April 1 and October 1			2007	460,000	68,500	528,500
			2008	470,000	59,300	529,300
			2009	480,000	49,900	529,900
			2010	490,000	40,300	530,300
			2011	500,000	30,500	530,500
			2012	510,000	20,500	530,500
			2013	515,000	10,300	525,300
	Total Issue Outstanding			<u>4,315,000</u>	<u>\$ 443,100</u>	<u>\$ 4,758,100</u>



**CITY OF MARINE CITY**  
**SCHEDULE OF INDEBTEDNESS**  
(Continued)

June 30, 2004

1991 General Obligation Unlimited Tax Bonds - Series B:

Date of Issue	Amount of Issue	Interest Rate	Payable In Fiscal Year Ended June 30	Principal	Interest	Total
6-1-91	\$ 430,000	7.25%	2005	\$ 45,000	\$ 6,526	\$ 51,526
Principal due April 1		7.25	2006	45,000	3,262	48,262
Interest due April 1 and October 1						
Total Issue Outstanding				<u>90,000</u>	<u>\$ 9,788</u>	<u>\$ 99,788</u>

1992 General Obligation Unlimited Tax Bonds - Series C:

Date of Issue	Amount of Issue	Interest Rate	Payable In Fiscal Year Ended June 30	Principal	Interest	Total
9-24-92	\$ 760,000	2.00%	2005	\$ 20,000	\$ 3,500	\$ 23,500
Principal due April 1			2006	20,000	3,100	23,100
Interest due April 1 and October 1			2007	20,000	2,700	22,700
			2008	20,000	2,300	22,300
			2009	25,000	1,900	26,900
			2010	25,000	1,400	26,400
			2011	25,000	900	25,900
			2012	20,000	400	20,400
Total Issue Outstanding				<u>175,000</u>	<u>\$ 16,200</u>	<u>\$ 191,200</u>



**CITY OF MARINE CITY**  
**SCHEDULE OF INDEBTEDNESS**  
(Continued)

June 30, 2004

1992 Limited Tax General Obligation Wastewater Treatment System Bonds:

Date of Issue	Amount of Issue	Interest Rate	Payable In Fiscal Year Ended June 30	Principal	Interest	Total
9-24-92	\$ 645,000	2.00%	2005	\$ 20,000	\$ 2,800	\$ 22,800
Principal due April 1			2006	20,000	2,400	22,400
Interest due April 1			2007	20,000	2,000	22,000
and October 1			2008	20,000	1,600	21,600
			2009	20,000	1,200	21,200
			2010	20,000	800	20,800
			2011	20,000	400	20,400
			Total Issue Outstanding	<u>140,000</u>	<u>\$ 11,200</u>	<u>\$ 151,200</u>
			Total Governmental Funds Bonded Indebtedness	<u>4,945,000</u>		



**CITY OF MARINE CITY**  
**SCHEDULE OF INDEBTEDNESS**  
(Continued)

June 30, 2004

**Xerox Leases:**

	Monthly Payment	Payments Remaining	Total Payments
<u>Collateral</u>			
Xerox Copier	\$ 206.19	46	\$ 9,485
Xerox Copier	58.49	31	1,813
			<u>11,298</u>

**Fire Truck Capitalized Leases:**

Date of Lease	Amount	Interest Rate	Payable In Fiscal Year Ended June 30	Principal	Interest	Total
9-14-98	\$ 275,975	6.61%	2005	\$ --	\$ --	\$ --
Annual payments due each			2006	22,957	11,064	34,021
July 1 in the amount of			2007	24,284	9,737	34,021
\$34,020			2008	25,687	8,333	34,020
			2009	27,172	6,848	34,020
			2010	28,743	5,278	34,021
			2011	30,404	3,616	34,020
			2012	32,161	1,859	34,020
				<u>191,408</u>	<u>\$ 46,735</u>	<u>\$ 238,143</u>
				<u>202,706</u>		
Total Leases						
TOTAL INDEBTEDNESS				<u>\$ 6,632,706</u>		

See accompanying letter.



**CITY OF MARINE CITY**  
**COMPONENT UNITS**  
**SCHEDULE OF INDEBTEDNESS**

June 30, 2004

Tax Increment Bonds, Series 2001:

Date of Issue	Amount	Interest Rate	Payable In Fiscal Year Ended June 30	Principal	Interest	Total
4-1-01	\$ 425,000	3.64%	2005	\$ 20,000	\$ 16,556	\$ 36,556
Principal due October 1		3.78	2006	20,000	15,814	35,814
Interest due October 1		3.90	2007	20,000	15,046	35,046
and April 1		4.03	2008	20,000	14,253	34,253
		4.14	2009	20,000	13,436	33,436
		4.24	2010	20,000	12,598	32,598
		4.33	2011	25,000	11,633	36,633
		4.42	2012	25,000	10,539	35,539
		4.56	2013	25,000	9,416	34,416
		4.68	2014	25,000	8,261	33,261
		4.78	2015	30,000	6,959	36,959
		4.88	2016	30,000	5,510	35,510
		4.96	2017	30,000	4,035	34,035
		5.03	2018	30,000	2,536	32,536
		5.09	2019	35,000	891	35,891
Total Component Unit Indebtedness				\$ 375,000	\$ 147,483	\$ 522,483





# McBride, Manley & Miiller P.C.

Certified Public Accountants

GLEN E. MCBRIDE, C.P.A.

PATRICIA A. MANLEY, C.P.A.

RICHARD L. MILLER, C.P.A., M.S.T.

September 22, 2004

Honorable Mayor & City Council  
City of Marine City  
Marine City, Michigan 48039

Honorable Members:

We have examined the financial statements of the City of Marine City for the year ended June 30, 2004, and have issued our report thereon dated September 22, 2004. Our examination included a study and evaluation of internal control to the extent we considered necessary in order to establish a basis for reliance on the accounting records. As a result of our examination, we offer the following comments and recommendations.

## FRAUD PREVENTION

Our review of the City's policies and procedures with regards to fraud prevention indicate a need for a formal policy regarding fraud prevention. This policy should be clearly communicated to all employees, and contain a specific procedure to allow for employee reporting of any suspected fraud.

## DEBT SERVICE

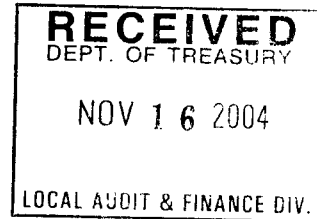
Current Michigan statutes prohibit the commingling of debt fund cash and investments with those of dissimilar funds. While the City accounts for these accounts separately, an actual separation of these accounts is required under the statute. The City has separated these accounts subsequent to the period of our audit.

In addition, the City should consider performing a review of its various outstanding long-term debts. Several of these obligations were issued at interest rates that are significantly higher than those available under the current market conditions. A review should be made to determine if there are significant interest savings to be realized through either refinancing or early repayments on any of these obligations.

## GASB 34 IMPLEMENTATION ISSUES

For the fiscal year ending June 30, 2004, the City was required to implement the new financial reporting standards as issued by the Governmental Accounting Standards Board pronouncement number thirty-four. The quality of the City's staff, and the general condition of the City's records, made this transition relatively easy. There remain, however, implementation issues that require council decisions.

A decision that should be made prior to the year ending June 30, 2006, is the City's intentions with regards to the capitalization of infrastructure assets constructed prior to July 1, 2003. We will discuss this issue in detail with the Council prior to the required decision date.



## CONCLUSION

As in the past several years, the City should be commended on the accuracy and completeness of its accounting systems, procedures, and financial reporting.

We would like to thank the City Manager, Treasurer, Clerk, and other City personnel for the cooperation and courtesies extended to us during our audit.

Respectfully submitted,



McBRIDE, MANLEY & MÜLLER P.C.  
Certified Public Accountants



McBride, Manley  
& Müller P.C.